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Form 990

Department of the Treasury  
Internal Revenue Service

Return of Organization Exempt From Income Tax

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)

The organization may have to use a copy of this return to satisfy state reporting requirements

OMB No 1545-0047

2011

Open to Public Inspection

A For the 2011 calendar year, or tax year beginning 01-01-2011 and ending 12-31-2011

B Check if applicable

☐ Address change

☐ Name change

☐ Initial return

☐ Terminated

☐ Amended return

☐ Application pending

C Name of organization

Penobscot Valley Hospital

Doing Business As

Number and street (or P.O. box if mail is not delivered to street address)

7 Transalpine Road Box 368

Room/suite

City or town, state or country, and ZIP + 4

Lincoln, ME 04457

F Name and address of principal officer

David Shannon

7 Transalpine Road Box 368

Lincoln, ME 04457

H(a) Is this a group return for affiliates?

☐ Yes ☒ No

H(b) Are all affiliates included?

☐ Yes ☐ No

If "No," attach a list (see instructions)

H(c) Group exemption number

I Tax-exempt status

☒ 501(c)(3) ☐ 501(c) ( ) ☐ (insert no ) ☐ 4947(a)(1) or ☐ 527

J Website:

www.pvhme.org

K Form of organization

☒ Corporation ☐ Trust ☐ Association ☐ Other

L Year of formation

1973

M State of legal domicile

ME

Part I

Summary

Activities & Governance	1 Briefly describe the organization's mission or most significant activities Critical Access Hospital			
Revenue	2 Check this box <input type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its net assets			
	3 Number of voting members of the governing body (Part VI, line 1a)	3	10	
	4 Number of independent voting members of the governing body (Part VI, line 1b)	4	10	
	5 Total number of individuals employed in calendar year 2011 (Part V, line 2a)	5	258	
	6 Total number of volunteers (estimate if necessary)	6	27	
	7a Total unrelated business revenue from Part VIII, column (C), line 12	7a	0	
	7b Net unrelated business taxable income from Form 990-T, line 34	7b	0	
Expenses			Prior Year	Current Year
	8 Contributions and grants (Part VIII, line 1h)			66,084100,430
	9 Program service revenue (Part VIII, line 2g)			24,221,34126,211,100
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)			7,31472,409
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)			-3,328-3,102
	12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)			24,291,41126,380,837
	13 Grants and similar amounts paid (Part IX, column (A), lines 1–3)			13,33014,229
Net Assets or Fund Balances	14 Benefits paid to or for members (Part IX, column (A), line 4)			00
	15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)			13,197,42914,172,619
	16a Professional fundraising fees (Part IX, column (A), line 11e)			00
	16b Total fundraising expenses (Part IX, column (D), line 25)			0
	17 Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)			11,028,12311,663,966
	18 Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)			24,238,88225,850,814
	19 Revenue less expenses Subtract line 18 from line 12			52,529530,023
			Beginning of Current Year	End of Year
	20 Total assets (Part X, line 16)			16,252,73516,723,968
	21 Total liabilities (Part X, line 26)			12,160,84912,132,873
	22 Net assets or fund balances Subtract line 21 from line 20			4,091,8864,591,095

Part II

Signature Block

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here

Signature of officer

Date

David Shannon CEO

Type or print name and title

Paid Preparer's Use Only

Preparer's signature

Date

Check if self-employed

Preparer's taxpayer identification number (see instructions)

Firm's name (or yours if self-employed), address, and ZIP + 4

EIN

Phone no

Barbara J McGuan CPA

2012-11-15

☐

P00219457

Berry Dunn McNeil & Parker LLC

01-0523282

(207) 775-2387

PO Box 1100

Portland, ME 041041100

May the IRS discuss this return with the preparer shown above? (see instructions)

☒ Yes ☐ No

For Paperwork Reduction Act Notice, see the separate instructions.

Cat No 11282Y

Form 990 (2011)

Part III

Statement of Program Service Accomplishments

Check if Schedule O contains a response to any question in this Part III

1

Briefly describe the organization’s mission

Penobscot Valley Hospital exists to provide quality healthcare and to serve as an educational and referral resource that meets our customer's needs by providing appropriate services, providing health related information, and making arrangements for additional health services PVH provides vital services to the community which are not accessible in any other way to many of our patients due to geographical or transportation issues See Schedule H for additional details

2

Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ?

Yes

No

If “Yes,” describe these new services on Schedule O

3

Did the organization cease conducting, or make significant changes in how it conducts, any program services?

Yes

No

If “Yes,” describe these changes on Schedule O

4

Describe the organization’s program service accomplishments for each of its three largest program services, as measured by expenses Section 501(c)(3) and 501(c)(4) organizations and section 4947(a)(1) trusts are required to report the amount of grants and allocations to others, the total expenses, and revenue, if any, for each program service reported

4a

(Code ) (Expenses \$ 21,744,936 including grants of \$ 14,229 ) (Revenue \$ 26,211,100 )

Penobscot Valley Hospital is a 25 bed critical access hospital in Lincoln, ME The Hospital provided a wide range of medical services to its patients in 2011, some of the largest being Emergency Room Services, Laboratory Services, Pharmacy Services, & Radiology Services Please refer to Schedule H for a more comprehensive list of services provided

4b

(Code ) (Expenses \$ including grants of \$ ) (Revenue \$ )

4c

(Code ) (Expenses \$ including grants of \$ ) (Revenue \$ )

4d

Other program services (Describe in Schedule O )





















(Expenses \$ including grants of \$ ) (Revenue \$ )

4e

Total program service expenses \$ 21,744,936

Part IV


Checklist of Required Schedules

		Yes	No
1	Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? <i>If "Yes," complete Schedule A.</i> 	1	Yes
2	Is the organization required to complete <i>Schedule B, Schedule of Contributors</i> (see instructions)? 	2	Yes
3	Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? <i>If "Yes," complete Schedule C, Part I.</i> 	3	No
4	<b>Section 501(c)(3) organizations.</b> Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? <i>If "Yes," complete Schedule C, Part II.</i> 	4	Yes
5	Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? <i>If "Yes," complete Schedule C, Part III.</i> 	5	No
6	Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? <i>If "Yes," complete Schedule D, Part I.</i> 	6	No
7	Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas or historic structures? <i>If "Yes," complete Schedule D, Part II.</i> 	7	No
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? <i>If "Yes," complete Schedule D, Part III.</i> 	8	No
9	Did the organization report an amount in Part X, line 21, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? <i>If "Yes," complete Schedule D, Part IV.</i> 	9	No
10	Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? <i>If "Yes," complete Schedule D, Part V.</i> 	10	No
11	If the organization's answer to any of the following questions is 'Yes,' then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable		
a	Did the organization report an amount for land, buildings, and equipment in Part X, line 10? <i>If "Yes," complete Schedule D, Part VI.</i> 	11a	Yes
b	Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part VII.</i> 	11b	No
c	Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part VIII.</i> 	11c	No
d	Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part IX.</i> 	11d	Yes
e	Did the organization report an amount for other liabilities in Part X, line 25? <i>If "Yes," complete Schedule D, Part X.</i> 	11e	Yes
f	Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? <i>If "Yes," complete Schedule D, Part X.</i> 	11f	No
12a	Did the organization obtain separate, independent audited financial statements for the tax year? <i>If "Yes," complete Schedule D, Parts XI, XII, and XIII.</i> 	12a	No
b	Was the organization included in consolidated, independent audited financial statements for the tax year? <i>If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional.</i> 	12b	Yes
13	Is the organization a school described in section 170(b)(1)(A)(ii)? <i>If "Yes," complete Schedule E.</i>	13	No
14a	Did the organization maintain an office, employees, or agents outside of the United States? . . . . .	14a	No
b	Did the organization have aggregate revenues or expenses of more than \$10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at \$100,000 or more? <i>If "Yes," complete Schedule F, Part I.</i> . . . . .	14b	No
15	Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or assistance to any organization or entity located outside the U S ? <i>If "Yes," complete Schedule F, Part II and IV.</i> . . . . .	15	No
16	Did the organization report on Part IX, column (A), line 3, more than \$5,000 of aggregate grants or assistance to individuals located outside the U S ? <i>If "Yes," complete Schedule F, Part III and IV.</i> . . . . .	16	No
17	Did the organization report a total of more than \$15,000, of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? <i>If "Yes," complete Schedule G, Part I.</i>	17	No
18	Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? <i>If "Yes," complete Schedule G, Part II.</i> . . . . .	18	Yes
19	Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? <i>If "Yes," complete Schedule G, Part III.</i> . . . . .	19	No
20a	Did the organization operate one or more hospitals? <i>If "Yes," complete Schedule H.</i> 	20a	Yes
b	If "Yes" to line 20a, did the organization attach its audited financial statement to this return? <b>Note.</b> All Form 990 filers that operated one or more hospitals must attach audited financial statements . . . . . 	20b	Yes

Part IV

Checklist of Required Schedules (continued)

21	Did the organization report more than \$5,000 of grants and other assistance to governments and organizations in the United States on Part IX, column (A), line 1? <i>If "Yes," complete Schedule I, Parts I and II</i> . . . . .	21	Yes	
22	Did the organization report more than \$5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? <i>If "Yes," complete Schedule I, Parts I and III</i> . . . . .	22		No
23	Did the organization answer "Yes" to Part VII, Section A, questions 3, 4, or 5, about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? <i>If "Yes," complete Schedule J</i> . . . . .	23	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? <i>If "Yes," answer questions 24b–24d and complete Schedule K. If "No," go to line 25</i> . . . . .	24a		No
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception? . . . .	24b		
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds? . . . . .	24c		
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year? . . . .	24d		
25a	<b>Section 501(c)(3) and 501(c)(4) organizations.</b> Did the organization engage in an excess benefit transaction with a disqualified person during the year? <i>If "Yes," complete Schedule L, Part I</i> . . . . .	25a		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? <i>If "Yes," complete Schedule L, Part I</i> . . . . .	25b		No
26	Was a loan to or by a current or former officer, director, trustee, key employee, highly compensated employee, or disqualified person outstanding as of the end of the organization's tax year? <i>If "Yes," complete Schedule L, Part II</i> . . . . .	26		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor, or a grant selection committee member, or to a person related to such an individual? <i>If "Yes," complete Schedule L, Part III</i> . . . . .	27		No
28	Was the organization a party to a business transaction with one of the following parties? (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i> . . . . .	28a		No
b	A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i> . . . . .	28b	Yes	
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or owner? <i>If "Yes," complete Schedule L, Part IV</i> . . . . .	28c		No
29	Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i> . . . . .	29		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i> . . . . .	30		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i> . . . . .	31		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i> . . . . .	32		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I</i> . . . . .	33		No
34	Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Parts II, III, IV, and V, line 1</i> . . . . .	34	Yes	
35a	Is any related organization a controlled entity of the filing organization within the meaning of section 512(b)(13)?	35a		No
b	Did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? <i>If "Yes," complete Schedule R, Part V, line 2</i> . . . . .	35b		No
36	<b>Section 501(c)(3) organizations.</b> Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2</i> . . . . .	36		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? <i>If "Yes," complete Schedule R, Part VI</i> . . . . .	37		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11 and 19? <b>Note.</b> All Form 990 filers are required to complete Schedule O . . . . .	38	Yes	

<b>Part V</b> <b>Statements Regarding Other IRS Filings and Tax Compliance</b>			
Check if Schedule O contains a response to any question in this Part V <input type="checkbox"/>			
		<b>Yes</b>	<b>No</b>
<b>1a</b>	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable. . . . . .	<b>1a</b>	30
<b>b</b>	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.	<b>1b</b>	0
<b>c</b>	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners? . . . . .	<b>1c</b>	Yes
<b>2a</b>	Enter the number of employees reported on Form W-3, <i>Transmittal of Wage and Tax Statements</i> filed for the calendar year ending with or within the year covered by this return . . . . .	<b>2a</b>	258
<b>b</b>	If at least one is reported on line 2a, did the organization file all required federal employment tax returns?  <b>Note.</b> If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).	<b>2b</b>	Yes
<b>3a</b>	Did the organization have unrelated business gross income of \$1,000 or more during the year? . . . . .	<b>3a</b>	No
<b>b</b>	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O . . . . .	<b>3b</b>	
<b>4a</b>	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account or securities account)? . . . . .	<b>4a</b>	No
<b>b</b>	If "Yes," enter the name of the foreign country  _____ See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.		
<b>5a</b>	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year? . . .	<b>5a</b>	No
<b>b</b>	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	<b>5b</b>	No
<b>c</b>	If "Yes" to line 5a or 5b, did the organization file Form 8886-T? . . . . .	<b>5c</b>	
<b>6a</b>	Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible? . . . . .	<b>6a</b>	No
<b>b</b>	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible? . . . . .	<b>6b</b>	
<b>7</b>	<b>Organizations that may receive deductible contributions under section 170(c).</b>		
<b>a</b>	Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor? . . . . .	<b>7a</b>	Yes
<b>b</b>	If "Yes," did the organization notify the donor of the value of the goods or services provided? . . . . .	<b>7b</b>	Yes
<b>c</b>	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282? . . . . .	<b>7c</b>	No
<b>d</b>	If "Yes," indicate the number of Forms 8282 filed during the year . . . . .	<b>7d</b>	
<b>e</b>	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract? . . . . .	<b>7e</b>	No
<b>f</b>	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? . . .	<b>7f</b>	No
<b>g</b>	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required? . . . . .	<b>7g</b>	
<b>h</b>	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C? . . . . .	<b>7h</b>	
<b>8</b>	<b>Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.</b> Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year? . . . . .	<b>8</b>	
<b>9</b>	<b>Sponsoring organizations maintaining donor advised funds.</b>		
<b>a</b>	Did the organization make any taxable distributions under section 4966? . . . . .	<b>9a</b>	
<b>b</b>	Did the organization make a distribution to a donor, donor advisor, or related person? . . . . .	<b>9b</b>	
<b>10</b>	<b>Section 501(c)(7) organizations.</b> Enter		
<b>a</b>	Initiation fees and capital contributions included on Part VIII, line 12 . . . . .	<b>10a</b>	
<b>b</b>	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	<b>10b</b>	
<b>11</b>	<b>Section 501(c)(12) organizations.</b> Enter		
<b>a</b>	Gross income from members or shareholders . . . . .	<b>11a</b>	
<b>b</b>	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them ) . . . . .	<b>11b</b>	
<b>12a</b>	<b>Section 4947(a)(1) non-exempt charitable trusts.</b> Is the organization filing Form 990 in lieu of Form 1041? . . . . .	<b>12a</b>	
<b>b</b>	If "Yes," enter the amount of tax-exempt interest received or accrued during the year	<b>12b</b>	
<b>13</b>	<b>Section 501(c)(29) qualified nonprofit health insurance issuers.</b>		
<b>a</b>	Is the organization licensed to issue qualified health plans in more than one state? <b>Note.</b> All 501(c)(29) organizations must list in Schedule O each state in which they are licensed to issue qualified health plans, the amount of reserves required by each state, and the amount of reserves the organization allocated to each state.	<b>13a</b>	
<b>b</b>	Enter the aggregate amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans	<b>13b</b>	
<b>c</b>	Enter the aggregate amount of reserves on hand	<b>13c</b>	
<b>14a</b>	Did the organization receive any payments for indoor tanning services during the tax year? . . . . .	<b>14a</b>	No
<b>b</b>	If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O . . .	<b>14b</b>	

Part VI

Governance, Management, and Disclosure

For each "Yes" response to lines 2 through 7b below, and for a "No" response to lines 8a, 8b, or 10b below, describe the circumstances, processes, or changes in Schedule O. See instructions.  
Check if Schedule O contains a response to any question in this Part VI

Section A. Governing Body and Management

		Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year		
1b	Enter the number of voting members included in line 1a, above, who are independent		
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?		No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person?		No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?		No
5	Did the organization become aware during the year of a significant diversion of the organization's assets?		No
6	Did the organization have members or stockholders?		No
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?		No
7b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?		No
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following		
8a	The governing body?	Yes	
8b	Each committee with authority to act on behalf of the governing body?	Yes	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O		No

Section B. Policies

(This Section B requests information about policies not required by the Internal Revenue Code.)

		Yes	No
10a	Did the organization have local chapters, branches, or affiliates?		No
10b	If "Yes," did the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with the organization's exempt purposes?		
11a	Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form?	Yes	
11b	Describe in Schedule O the process, if any, used by the organization to review the Form 990		
12a	Did the organization have a written conflict of interest policy? If "No," go to line 13	Yes	
12b	Were officers, directors or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	Yes	
12c	Did the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this was done	Yes	
13	Did the organization have a written whistleblower policy?	Yes	
14	Did the organization have a written document retention and destruction policy?	Yes	
15	Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision?		
15a	The organization's CEO, Executive Director, or top management official	Yes	
15b	Other officers or key employees of the organization	Yes	
	If "Yes," to line 15a or 15b, describe the process in Schedule O (see instructions)		
16a	Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year?		No
16b	If "Yes," did the organization follow a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and take steps to safeguard the organization's exempt status with respect to such arrangements?		

Section C. Disclosure

17	List the States with which a copy of this Form 990 is required to be filed	ME
18	Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply. <input type="checkbox"/> Own website <input type="checkbox"/> Another's website <input checked="" type="checkbox"/> Upon request	
19	Describe in Schedule O whether (and if so, how), the organization made its governing documents, conflict of interest policy, and financial statements available to the public. See Additional Data Table.	
20	State the name, physical address, and telephone number of the person who possesses the books and records of the organization.	Ann Marie Rush 7 Transalpine Road Box 368 Lincoln, ME 04457 (207) 794-3321

Part VII

Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

Check if Schedule O contains a response to any question in this Part VII

Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

1a Complete this table for all persons required to be listed Report compensation for the calendar year ending with or within the organization's tax year

- List all of the organization's **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation, and **current** key employees Enter -0- in columns (D), (E), and (F) if no compensation was paid
- List all of the organization's **current** key employees, if any See instructions for definition of "key employee "
- List the organization's five **current** highest compensated employees (other than an officer, director, trustee or key employee) who received reportable compensation (Box 5 of Form W-2 and/or Box 7 of Form 1099-MISC) of more than \$100,000 from the organization and any related organizations
- List all of the organization's **former** officers, key employees, or highest compensated employees who received more than \$100,000 of reportable compensation from the organization and any related organizations
- List all of the organization's **former directors or trustees** that received, in the capacity as a former director or trustee of the organization, more than \$10,000 of reportable compensation from the organization and any related organizations

List persons in the following order individual trustees or directors, institutional trustees, officers, key employees, highest compensated employees, and former such persons

Check this box if neither the organization nor any related organizations compensated any current or former officer, director, or trustee

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(1) Frederick Woodman Jr President	1 50	X		X				0	0	0
(2) Gilberte Mayo Vice President	1 50	X		X				0	0	0
(3) Lynn Sanderson Board Member	1 50	X						0	0	0
(4) Carl Alessi MD Board Member	1 50	X						0	0	0
(5) Hervey Clay Board Member	1 50	X						0	0	0
(6) Phillip Dawson Jr Board Member	1 50	X						0	0	0
(7) Victor Jipson Treasurer	1 50	X		X				0	0	0
(8) Michael McFalls Board Member	1 50	X						0	0	0
(9) Ed Woolley Board Member	1 50	X						0	0	0
(10) Richard Wyman Board Member	1 50	X						0	0	0
(11) David Shannon CEO	50 00			X				203,527	0	23,919
(12) Ann Marie Rush CFO	50 00			X				129,600	0	15,229
(13) David L Ettinger Physician	40 00					X		262,996	0	25,470
(14) David H Dumont Hospitalist	40 00					X		276,236	0	14,742
(15) Samer Sbayi Surgeon	40 00					X		332,338	0	24,808
(16) Paul E Turnquist Physician	40 00					X		252,346	0	21,795
(17) Karen Mueller CON	40 00					X		130,806	0	12,637



## Part VII

<b>1b</b>	<b>Sub-Total . . . . .</b>	<b>▼</b>			
<b>c</b>	<b>Total from continuation sheets to Part VII, Section A . . . . .</b>	<b>▼</b>			
<b>d</b>	<b>Total (add lines 1b and 1c) . . . . .</b>	<b>▼</b>	1,587,849	0	138,600

**2** Total number of individuals (including but not limited to those listed in Item 1) who received more than \$100,000 of reportable compensation from the organization. **6**

		Yes	No
3	Did the organization list any <b>former</b> officer, director or trustee, key employee, or highest compensated employee on line 1a? <i>If "Yes," complete Schedule J for such individual</i> . . . . .	3	No
4	For any individual listed on line 1a, is the sum of reportable compensation and other compensation from the organization and related organizations greater than \$150,000? <i>If "Yes," complete Schedule J for such individual</i> . . . . .	4	Yes
5	Did any person listed on line 1a receive or accrue compensation from any unrelated organization or individual for services rendered to the organization? <i>If "Yes," complete Schedule J for such person</i> . . . . .	5	Yes

## **Section B. Independent Contractors**

**1** Complete this table for your five highest compensated independent contractors that received more than \$100,000 of compensation from the organization. Report compensation for the calendar year ending with or within the organization's tax year.

(A) Name and business address	(B) Description of services	(C) Compensation
Emcare Inc 7032 Collection Center Drive Chicago, IL 60693	ED Physician Services	1,180,508
Nurse Anesthesia of Maine LLC 141 North Main Street Suite 205 Brewer, ME 04412	Nursing Services	585,388
CompHealth PO Box 972651 Dallas, TX 75397	Physician Services	485,107
Unidine PO Box 60479 Charlotte, NC 28260	Dietary Services	369,707
Quorum Health Resources LLC 105 Continental Place Brentwood, TN 37027	Hospital Management Svcs	289,348

2 Total number of independent contractors (including but not limited to those listed above) who received more than \$100,000 of compensation from the organization ►15

Part VIII

Statement of Revenue

				(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514	
Contributions, gifts, grants and other similar amounts	1a	Federated campaigns . . .	1a					
	b	Membership dues . . . . .	1b					
	c	Fundraising events . . . . .	1c	17,618				
	d	Related organizations . . . .	1d					
	e	Government grants (contributions)	1e	20,755				
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	62,057				
	g	Noncash contributions included in lines 1a-1f \$ _____						
	h	Total. Add lines 1a-1f . . . . .		100,430				
Program Service Revenue			Business Code					
	2a	Patient Service Revenue	621400	35,479,280	35,479,280			
	b	Meaningful Use Revenue	621400	406,601	406,601			
	c	Cafeteria & Other	722210	219,349	109,702		109,647	
	d	Charity Care	621400	-1,360,647	-1,360,647			
	e	Contractual Allowances	621400	-8,533,483	-8,533,483			
	f	All other program service revenue						
	g	Total. Add lines 2a-2f . . . . .		26,211,100				
Other Revenue	3	Investment income (including dividends, interest and other similar amounts) . . . . .		23,242			23,242	
	4	Income from investment of tax-exempt bond proceeds . .						
	5	Royalties . . . . .						
	6a	Gross rents	(i) Real	(ii) Personal				
	b	Less rental expenses						
	c	Rental income or (loss)						
	d	Net rental income or (loss) . . . . .						
	7a	Gross amount from sales of assets other than inventory	(i) Securities	(ii) Other				
			230,400	787				
			177,915	4,105				
			52,485	-3,318				
	d	Net gain or (loss) . . . . .		49,167			49,167	
	8a	Gross income from fundraising events (not including \$ 17,618 of contributions reported on line 1c) See Part IV, line 18 . . . . .	a	5,461				
	b	Less direct expenses . . . . .	b	8,563				
	c	Net income or (loss) from fundraising events . .		-3,102			-3,102	
	9a	Gross income from gaming activities See Part IV, line 19 . . . . .	a					
	b	Less direct expenses . . . . .	b					
c	Net income or (loss) from gaming activities . .							
10a	Gross sales of inventory, less returns and allowances . . . . .	a						
b	Less cost of goods sold . . . . .	b						
c	Net income or (loss) from sales of inventory . .							
Miscellaneous Revenue		Business Code						
11a								
b								
c								
d	All other revenue . . . . .							
e	Total. Add lines 11a-11d . . . . .							
12	Total revenue. See Instructions . . . . .		26,380,837	26,101,453	0	178,954		

Part IX

Statement of Functional Expenses

Section 501(c)(3) and 501(c)(4) organizations must complete all columns

All other organizations must complete column (A) but are not required to complete columns (B), (C), and (D)

Check if Schedule O contains a response to any question in this Part IX

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.		(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1	Grants and other assistance to governments and organizations in the United States See Part IV, line 21	14,229	14,229		
2	Grants and other assistance to individuals in the United States See Part IV, line 22				
3	Grants and other assistance to governments, organizations, and individuals outside the United States See Part IV, lines 15 and 16				
4	Benefits paid to or for members				
5	Compensation of current officers, directors, trustees, and key employees . . . . .	372,275		372,275	
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B) . . . . .				
7	Other salaries and wages	9,338,967	8,631,450	707,517	
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions) . . . . .	62,614	55,877	6,737	
9	Other employee benefits . . . . .	3,742,363	3,405,203	337,160	
10	Payroll taxes . . . . .	656,400	585,776	70,624	
11	Fees for services (non-employees)				
a	Management . . . . .				
b	Legal . . . . .	22,317		22,317	
c	Accounting . . . . .	41,100		41,100	
d	Lobbying . . . . .				
e	Professional fundraising See Part IV, line 17 . . . . .				
f	Investment management fees . . . . .	5,120		5,120	
g	Other . . . . .	4,730,263	3,804,510	925,753	
12	Advertising and promotion . . . . .	30,431		30,431	
13	Office expenses . . . . .	1,027,043	76,122	950,921	
14	Information technology . . . . .				
15	Royalties . . . . .				
16	Occupancy . . . . .	1,079,034	1,019,146	59,888	
17	Travel . . . . .	127,618	80,680	46,938	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials . . . . .				
19	Conferences, conventions, and meetings . . . . .				
20	Interest . . . . .	322,711		322,711	
21	Payments to affiliates . . . . .				
22	Depreciation, depletion, and amortization . . . . .	995,155	995,155		
23	Insurance . . . . .	259,047	54,386	204,661	
24	Other expenses Itemize expenses not covered above (List miscellaneous expenses in line 24f If line 24f amount exceeds 10% of line 25, column (A) amount, list line 24f expenses on Schedule O )				
a	Medical Supplies	1,855,599	1,855,599		
b	Provision for Bad Debts	1,166,803	1,166,803		
c	Physician Events	1,725		1,725	
d					
e					
f	All other expenses				
25	Total functional expenses. Add lines 1 through 24f	25,850,814	21,744,936	4,105,878	0
26	Joint costs. Check here <input type="checkbox"/> if following SOP 98-2 (ASC 958-720) Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation				

Part X

Balance Sheet

					(A)		(B)
					Beginning of year		End of year
Assets	1	Cash—non-interest-bearing . . . . .			2,023,867	1	3,158,145
	2	Savings and temporary cash investments . . . . .			714,830	2	768,291
	3	Pledges and grants receivable, net . . . . .				3	
	4	Accounts receivable, net . . . . .			2,624,508	4	2,819,117
	5	Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees. Complete Part II of Schedule L . . . . .				5	
	6	Receivables from other disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B). Complete Part II of Schedule L . . . . .				6	
	7	Notes and loans receivable, net . . . . .				7	
	8	Inventories for sale or use . . . . .			452,740	8	479,893
	9	Prepaid expenses and deferred charges . . . . .			137,996	9	215,373
	10a	Land, buildings, and equipment: cost or other basis. Complete Part VI of Schedule D . . . . .	10a	16,828,153			
	b	Less: accumulated depreciation . . . . .	10b	10,009,994	7,190,458	10c	6,818,159
	11	Investments—publicly traded securities . . . . .			550,425	11	556,665
	12	Investments—other securities. See Part IV, line 11 . . . . .			-11,824	12	6,588
	13	Investments—program-related. See Part IV, line 11 . . . . .				13	
	14	Intangible assets . . . . .			14,604	14	13,334
	15	Other assets. See Part IV, line 11 . . . . .			2,555,131	15	1,888,403
16	Total assets. Add lines 1 through 15 (must equal line 34) . . . . .			16,252,735	16	16,723,968	
Liabilities	17	Accounts payable and accrued expenses . . . . .			2,701,779	17	2,838,986
	18	Grants payable . . . . .				18	
	19	Deferred revenue . . . . .				19	
	20	Tax-exempt bond liabilities . . . . .			1,104,634	20	1,024,908
	21	Escrow or custodial account liability. Complete Part IV of Schedule D . . . . .				21	
	22	Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons. Complete Part II of Schedule L . . . . .				22	
	23	Secured mortgages and notes payable to unrelated third parties . . . . .			5,244,887	23	5,060,075
	24	Unsecured notes and loans payable to unrelated third parties . . . . .				24	
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24). Complete Part X of Schedule D . . . . .			3,109,549	25	3,208,904
	26	Total liabilities. Add lines 17 through 25 . . . . .			12,160,849	26	12,132,873
Net Assets or Fund Balances	Organizations that follow SFAS 117, check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.						
	27	Unrestricted net assets . . . . .			3,892,932	27	4,361,605
	28	Temporarily restricted net assets . . . . .			122,405	28	152,941
	29	Permanently restricted net assets . . . . .			76,549	29	76,549
	Organizations that do not follow SFAS 117, check here <input type="checkbox"/> and complete lines 30 through 34.						
	30	Capital stock or trust principal, or current funds . . . . .				30	
	31	Paid-in or capital surplus, or land, building or equipment fund . . . . .				31	
	32	Retained earnings, endowment, accumulated income, or other funds . . . . .				32	
	33	Total net assets or fund balances . . . . .			4,091,886	33	4,591,095
	34	Total liabilities and net assets/fund balances . . . . .			16,252,735	34	16,723,968

Part XI Reconciliation of Net Assets

Check if Schedule O contains a response to any question in this Part XI . . . . .

1	Total revenue (must equal Part VIII, column (A), line 12)	1	26,380,837
2	Total expenses (must equal Part IX, column (A), line 25)	2	25,850,814
3	Revenue less expenses Subtract line 2 from line 1	3	530,023
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	4,091,886
5	Other changes in net assets or fund balances (explain in Schedule O)	5	-30,814
6	Net assets or fund balances at end of year Combine lines 3, 4, and 5 (must equal Part X, line 33, column (B))	6	4,591,095

Part XII Financial Statements and Reporting

Check if Schedule O contains a response to any question in this Part XII . . . . .

		Yes	No
1	Accounting method used to prepare the Form 990 <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual <input type="checkbox"/> Other If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O		
2a	Were the organization's financial statements compiled or reviewed by an independent accountant?		No
b	Were the organization's financial statements audited by an independent accountant?	Yes	
c	If "Yes," to 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant? If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O	Yes	
d	If "Yes" to line 2a or 2b, check a box below to indicate whether the financial statements for the year were issued on a separate basis, consolidated basis, or both <input type="checkbox"/> Separate basis <input checked="" type="checkbox"/> Consolidated basis <input type="checkbox"/> Both consolidated and separated basis		
3a	As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133?		No
b	If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits		

SCHEDULE A  
(Form 990 or 990EZ)

Department of the Treasury  
Internal Revenue Service

Public Charity Status and Public Support

Complete if the organization is a section 501(c)(3) organization or a section 4947(a)(1) nonexempt charitable trust.

▶ Attach to Form 990 or Form 990-EZ. ▶ See separate instructions.

OMB No 1545-0047

2011

Open to Public  
Inspection

Name of the organization Penobscot Valley Hospital	Employer identification number 01-0545327
---	--

Part I Reason for Public Charity Status (All organizations must complete this part.) See instructions

The organization is not a private foundation because it is (For lines 1 through 11, check only one box )

- 1

☐

A church, convention of churches, or association of churches **section 170(b)(1)(A)(i).**
- 2

☐

A school described in **section 170(b)(1)(A)(ii).** (Attach Schedule E )
- 3

☒

A hospital or a cooperative hospital service organization described in **section 170(b)(1)(A)(iii).**
- 4

☐

A medical research organization operated in conjunction with a hospital described in **section 170(b)(1)(A)(iii).** Enter the hospital's name, city, and state
- 5

☐

An organization operated for the benefit of a college or university owned or operated by a governmental unit described in **section 170(b)(1)(A)(iv).** (Complete Part II )
- 6

☐

A federal, state, or local government or governmental unit described in **section 170(b)(1)(A)(v).**
- 7

☐

An organization that normally receives a substantial part of its support from a governmental unit or from the general public described in **section 170(b)(1)(A)(vi)** (Complete Part II )
- 8

☐

A community trust described in **section 170(b)(1)(A)(vi)** (Complete Part II )
- 9

☐

An organization that normally receives (1) more than 33 1/3% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions—subject to certain exceptions, and (2) no more than 33 1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975 See **section 509(a)(2).** (Complete Part III )
- 10

☐

An organization organized and operated exclusively to test for public safety Se**section 509(a)(4).**
- 11

☐

An organization organized and operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2) See **section 509(a)(3).** Check the box that describes the type of supporting organization and complete lines 11e through 11h  

a

☐

Type I

b

☐

Type II

c

☐

Type III - Functionally integrated

d

☐

Type III - Other

e

☐

By checking this box, I certify that the organization is not controlled directly or indirectly by one or more disqualified persons other than foundation managers and other than one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2)

f

☐

If the organization received a written determination from the IRS that it is a Type I, Type II or Type III supporting organization, check this box

g

☐

Since August 17, 2006, has the organization accepted any gift or contribution from any of the following persons?  

(i)

a person who directly or indirectly controls, either alone or together with persons described in (ii) and (iii) below, the governing body of the the supported organization?

(ii)

a family member of a person described in (i) above?

(iii)

a 35% controlled entity of a person described in (i) or (ii) above?

h

☐

Provide the following information about the supported organization(s)

	Yes	No
11g(i)		
11g(ii)		
11g(iii)		

(i) Name of supported organization	(ii) EIN	(iii) Type of organization (described on lines 1- 9 above or IRC section (see instructions))	(iv) Is the organization in col (i) listed in your governing document?		(v) Did you notify the organization in col (i) of your support?		(vi) Is the organization in col (i) organized in the U S ?		(vii) Amount of support?
			Yes	No	Yes	No	Yes	No	
Total									

Part II

Support Schedule for Organizations Described in IRC 170(b)(1)(A)(iv) and 170(b)(1)(A)(vi)  
(Complete only if you checked the box on line 5, 7, or 8 of Part I or if the organization failed to qualify under Part III. If the organization fails to qualify under the tests listed below, please complete Part III.)

Section A. Public Support						
Calendar year (or fiscal year beginning in)	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants ")						
2 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
3 The value of services or facilities furnished by a governmental unit to the organization without charge						
4 Total. Add lines 1 through 3						
5 The portion of total contributions by each person (other than a governmental unit or publicly supported organization) included on line 1 that exceeds 2% of the amount shown on line 11, column (f)						
6 Public Support. Subtract line 5 from line 4						

Section B. Total Support							
Calendar year (or fiscal year beginning in)		(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(f) Total
7	Amounts from line 4						
8	Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
9	Net income from unrelated business activities, whether or not the business is regularly carried on						
10	Other income (Explain in Part IV ) Do not include gain or loss from the sale of capital assets						
11	Total support (Add lines 7 through 10)						
12	Gross receipts from related activities, etc (See instructions )					12	
13	First Five Years If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and stop here						

Section C. Computation of Public Support Percentage		
14	Public Support Percentage for 2011 (line 6 column (f) divided by line 11 column (f))	14
15	Public Support Percentage for 2010 Schedule A, Part II, line 14	15
16a	<b>33 1/3% support test—2011.</b> If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and <b>stop here.</b> The organization qualifies as a publicly supported organization	<input type="checkbox"/>
b	<b>33 1/3% support test—2010.</b> If the organization did not check the box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and <b>stop here.</b> The organization qualifies as a publicly supported organization	<input type="checkbox"/>
17a	<b>10%-facts-and-circumstances test—2011.</b> If the organization did not check a box on line 13, 16a, or 16b and line 14 is 10% or more, and if the organization meets the "facts and circumstances" test, check this box and <b>stop here.</b> Explain in Part IV how the organization meets the "facts and circumstances" test The organization qualifies as a publicly supported organization	<input type="checkbox"/>
b	<b>10%-facts-and-circumstances test—2010.</b> If the organization did not check a box on line 13, 16a, 16b, or 17a and line 15 is 10% or more, and if the organization meets the "facts and circumstances" test, check this box and <b>stop here.</b> Explain in Part IV how the organization meets the "facts and circumstances" test The organization qualifies as a publicly supported organization	<input type="checkbox"/>
18	<b>Private Foundation</b> If the organization did not check a box on line 13, 16a, 16b, 17a or 17b, check this box and see instructions	<input type="checkbox"/>

Part IIIPart III

Support Schedule for Organizations Described in IRC 509(a)(2)  
(Complete only if you checked the box on line 9 of Part I or if the organization failed to qualify under Part II. If the organization fails to qualify under the tests listed below, please complete Part II.)

Section A. Public Support						
Calendar year (or fiscal year beginning in)	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants.")						
2 Gross receipts from admissions, merchandise sold or services performed, or facilities furnished in any activity that is related to the organization's tax-exempt purpose						
3 Gross receipts from activities that are not an unrelated trade or business under section 513						
4 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
5 The value of services or facilities furnished by a governmental unit to the organization without charge						
6 Total. Add lines 1 through 5						
7a Amounts included on lines 1, 2, and 3 received from disqualified persons						
b Amounts included on lines 2 and 3 received from other than disqualified persons that exceed the greater of \$5,000 or 1% of the amount on line 13 for the year						
c Add lines 7a and 7b						
8 Public Support (Subtract line 7c from line 6.)						

Section B. Total Support						
Calendar year (or fiscal year beginning in)	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(f) Total
9 Amounts from line 6						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
12 Other income. Do not include gain or loss from the sale of capital assets (Explain in Part IV.)						
13 Total support (Add lines 9, 10c, 11 and 12.)						
14 First Five Years If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and <b>stop here</b>						

Section C. Computation of Public Support Percentage		
15 Public Support Percentage for 2011 (line 8 column (f) divided by line 13 column (f))	15	
16 Public support percentage from 2010 Schedule A, Part III, line 15	16	

Section D. Computation of Investment Income Percentage		
17 Investment income percentage for 2011 (line 10c column (f) divided by line 13 column (f))	17	
18 Investment income percentage from 2010 Schedule A, Part III, line 17	18	
19a 33 1/3% support tests—2011. If the organization did not check the box on line 14, and line 15 is more than 33 1/3% and line 17 is not more than 33 1/3%, check this box and <b>stop here</b> . The organization qualifies as a publicly supported organization		
b 33 1/3% support tests—2010. If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3% and line 18 is not more than 33 1/3%, check this box and <b>stop here</b> . The organization qualifies as a publicly supported organization		
20 Private Foundation If the organization did not check a box on line 14, 19a or 19b, check this box and see instructions		



**Part IV** **Supplemental Information.** Supplemental Information. Complete this part to provide the explanation required by Part II, line 10; Part II, line 17a or 17b; or Part III, line 12. Also complete this part for any additional information. (See instructions).

Facts And Circumstances Test

Explanation

**Additional Data**

**Software ID:**  
**Software Version:**  
**EIN:** 01-0545327  
**Name:** Penobscot Valley Hospital

**Form 990, Special Condition Description:**

<b>Special Condition Description</b>
--------------------------------------

SCHEDULE C  
(Form 990 or 990-EZ)

Department of the Treasury  
Internal Revenue Service

Political Campaign and Lobbying Activities

For Organizations Exempt From Income Tax Under section 501(c) and section 527

▶ Complete if the organization is described below.

▶ Attach to Form 990 or Form 990-EZ. ▶ See separate instructions.

OMB No 1545-0047

2011

Open to Public Inspection

If the organization answered “Yes,” to Form 990, Part IV, Line 3, or Form 990-EZ, Part V, line 46 (Political Campaign Activities), then

- Section 501(c)(3) organizations Complete Parts I-A and B Do not complete Part I-C
- Section 501(c) (other than section 501(c)(3)) organizations Complete Parts I-A and C below Do not complete Part I-B
- Section 527 organizations Complete Part I-A only

If the organization answered “Yes,” to Form 990, Part IV, Line 4, or Form 990-EZ, Part VI, line 47 (Lobbying Activities), then

- Section 501(c)(3) organizations that have filed Form 5768 (election under section 501(h)) Complete Part II-A Do not complete Part II-B
- Section 501(c)(3) organizations that have NOT filed Form 5768 (election under section 501(h)) Complete Part II-B Do not complete Part II-A

If the organization answered “Yes,” to Form 990, Part IV, Line 5 (Proxy Tax) or Form 990-EZ, line 35c (Proxy Tax), then

- Section 501(c)(4), (5), or (6) organizations Complete Part III

Name of the organization Penobscot Valley Hospital	Employer identification number 01-0545327
---	--

Part I-A Complete if the organization is exempt under section 501(c) or is a section 527 organization.

1	Provide a description of the organization's direct and indirect political campaign activities on behalf of or in opposition to candidates for public office in Part IV	
2	Political expenditures	▶ \$
3	Volunteer hours	

Part I-B Complete if the organization is exempt under section 501(c)(3).

1	Enter the amount of any excise tax incurred by the organization under section 4955	▶ \$
2	Enter the amount of any excise tax incurred by organization managers under section 4955	▶ \$
3	If the organization incurred a section 4955 tax, did it file Form 4720 for this year?	<input type="checkbox"/> Yes <input type="checkbox"/> No
4a	Was a correction made?	<input type="checkbox"/> Yes <input type="checkbox"/> No
b	If "Yes," describe in Part IV	

Part I-C Complete if the organization is exempt under section 501(c) except section 501(c)(3).

1	Enter the amount directly expended by the filing organization for section 527 exempt function activities	▶ \$
2	Enter the amount of the filing organization's funds contributed to other organizations for section 527 exempt function activities	▶ \$
3	Total exempt function expenditures Add lines 1 and 2 Enter here and on Form 1120-POL, line 17b	▶ \$
4	Did the filing organization file Form 1120-POL for this year?	<input type="checkbox"/> Yes <input type="checkbox"/> No
5	Enter the names, addresses and employer identification number (EIN) of all section 527 political organizations to which the filing organization made payments For each organization listed, enter the amount paid from the filing organization's funds Also enter the amount of political contributions received that were promptly and directly delivered to a separate political organization, such as a separate segregated fund or a political action committee (PAC) If additional space is needed, provide information in Part IV	

(a) Name	(b) Address	(c) EIN	(d) Amount paid from filing organization's funds If none, enter -0-	(e) Amount of political contributions received and promptly and directly delivered to a separate political organization If none, enter -0-

Part II-A

Complete if the organization is exempt under section 501(c)(3) and filed Form 5768 (election under section 501(h)).

- A
- Check
- ☐
- if the filing organization belongs to an affiliated group (and list in Part IV each affiliated group member's name, address, EIN, expenses, and share of excess lobbying expenditures)
- B
- Check
- ☐
- if the filing organization checked box A and "limited control" provisions apply

Limits on Lobbying Expenditures (The term "expenditures" means amounts paid or incurred.)		(a) Filing Organization's Totals	(b) Affiliated Group Totals												
1a	Total lobbying expenditures to influence public opinion (grass roots lobbying)														
b	Total lobbying expenditures to influence a legislative body (direct lobbying)														
c	Total lobbying expenditures (add lines 1a and 1b)														
d	Other exempt purpose expenditures														
e	Total exempt purpose expenditures (add lines 1c and 1d)														
f	Lobbying nontaxable amount. Enter the amount from the following table in both columns.														
<table><tr><td>If the amount on line 1e, column (a) or (b) is:</td><td>The lobbying nontaxable amount is:</td></tr><tr><td>Not over \$500,000</td><td>20% of the amount on line 1e</td></tr><tr><td>Over \$500,000 but not over \$1,000,000</td><td>\$100,000 plus 15% of the excess over \$500,000</td></tr><tr><td>Over \$1,000,000 but not over \$1,500,000</td><td>\$175,000 plus 10% of the excess over \$1,000,000</td></tr><tr><td>Over \$1,500,000 but not over \$17,000,000</td><td>\$225,000 plus 5% of the excess over \$1,500,000</td></tr><tr><td>Over \$17,000,000</td><td>\$1,000,000</td></tr></table>		If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:	Not over \$500,000	20% of the amount on line 1e	Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000	Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000	Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000	Over \$17,000,000	\$1,000,000		
If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:														
Not over \$500,000	20% of the amount on line 1e														
Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000														
Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000														
Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000														
Over \$17,000,000	\$1,000,000														
g	Grassroots nontaxable amount (enter 25% of line 1f)														
h	Subtract line 1g from line 1a. If zero or less, enter -0-														
i	Subtract line 1f from line 1c. If zero or less, enter -0-														
j	If there is an amount other than zero on either line 1h or line 1i, did the organization file Form 4720 reporting section 4911 tax for this year?		<input type="checkbox"/> Yes <input type="checkbox"/> No												

4-Year Averaging Period Under Section 501(h)  
(Some organizations that made a section 501(h) election do not have to complete all of the five columns below. See the instructions for lines 2a through 2f on page 4.)

Lobbying Expenditures During 4-Year Averaging Period					
Calendar year (or fiscal year beginning in)	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) Total
2a Lobbying non-taxable amount					
b Lobbying ceiling amount (150% of line 2a, column(e))					
c Total lobbying expenditures					
d Grassroots non-taxable amount					
e Grassroots ceiling amount (150% of line 2d, column (e))					
f Grassroots lobbying expenditures					

Part II-B

Complete if the organization is exempt under section 501(c)(3) and has NOT filed Form 5768 (election under section 501(h)).

		(a)		(b)
		Yes	No	Amount
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
	a Volunteers?		No	
	b Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		No	
	c Media advertisements?		No	
	d Mailings to members, legislators, or the public?		No	
	e Publications, or published or broadcast statements?		No	
	f Grants to other organizations for lobbying purposes?		No	
	g Direct contact with legislators, their staffs, government officials, or a legislative body?		No	
	h Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
	i Other activities? If "Yes," describe in Part IV	Yes		4,034
	j Total lines 1c through 1i			4,034
	2a Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No	
	b If "Yes," enter the amount of any tax incurred under section 4912			
	c If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
	d If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?			

Part III-A

Complete if the organization is exempt under section 501(c)(4), section 501(c)(5), or section 501(c)(6).

			Yes	No
1	Were substantially all (90% or more) dues received nondeductible by members?	1		
2	Did the organization make only in-house lobbying expenditures of \$2,000 or less?	2		
3	Did the organization agree to carryover lobbying and political expenditures from the prior year?	3		

Part III-B

Complete if the organization is exempt under section 501(c)(4), section 501(c)(5), or section 501(c)(6) if BOTH Part III-A, lines 1 and 2 are answered "No" OR if Part III-A, line 3 is answered "Yes".

1	Dues, assessments and similar amounts from members	1	
2	Section 162(e) non-deductible lobbying and political expenditures (do not include amounts of political expenses for which the section 527(f) tax was paid).		
	a Current year	2a	
	b Carryover from last year	2b	
	c Total	2c	
3	Aggregate amount reported in section 6033(e)(1)(A) notices of nondeductible section 162(e) dues	3	
4	If notices were sent and the amount on line 2c exceeds the amount on line 3, what portion of the excess does the organization agree to carryover to the reasonable estimate of nondeductible lobbying and political expenditure next year?	4	
5	Taxable amount of lobbying and political expenditures (see instructions)	5	

Part IV

Supplemental Information

Complete this part to provide the descriptions required for Part I-A, line 1, Part I-B, line 4, Part I-C, line 5, and Part II-B, line 1.  
Also, complete this part for any additional information.

Identifier	Return Reference	Explanation
Explanation of Lobbying Activities	Part II-B, Line 1	The organization pays dues to the Maine Hospital Association and the American Hospital Association. A portion of dues paid to the Maine Hospital Association (\$3,428) and American Hospital Association (\$606) were attributable to lobbying expenses.

SCHEDULE D  
(Form 990)

Department of the Treasury  
Internal Revenue Service

Supplemental Financial Statements

► Complete if the organization answered "Yes," to Form 990, Part IV, line 6, 7, 9, 10, 11a, 11b, 11c, 11d, 11e, 11f, 12a, or 12b  
► Attach to Form 990. ► See separate instructions.

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization  
Penobscot Valley Hospital

Employer identification number  
01-0545327

Part I Organizations Maintaining Donor Advised Funds or Other Similar Funds or Accounts. Complete if the organization answered "Yes" to Form 990, Part IV, line 6.

	(a) Donor advised funds	(b) Funds and other accounts
1	Total number at end of year	
2	Aggregate contributions to (during year)	
3	Aggregate grants from (during year)	
4	Aggregate value at end of year	
5	Did the organization inform all donors and donor advisors in writing that the assets held in donor advised funds are the organization's property, subject to the organization's exclusive legal control? <div><input type="checkbox"/> Yes <input type="checkbox"/> No</div>	
6	Did the organization inform all grantees, donors, and donor advisors in writing that grant funds may be used only for charitable purposes and not for the benefit of the donor or donor advisor, or for any other purpose conferring impermissible private benefit <div><input type="checkbox"/> Yes <input type="checkbox"/> No</div>	

Part II Conservation Easements. Complete if the organization answered "Yes" to Form 990, Part IV, line 7.

1

Purpose(s) of conservation easements held by the organization (check all that apply)

☐ Preservation of land for public use (e g , recreation or pleasure)☐ Preservation of an historically importantly land area  
☐ Protection of natural habitat☐ Preservation of a certified historic structure  
☐ Preservation of open space

2

Complete lines 2a–2d if the organization held a qualified conservation contribution in the form of a conservation easement on the last day of the tax year

	Held at the End of the Year
a	Total number of conservation easements
b	Total acreage restricted by conservation easements
c	Number of conservation easements on a certified historic structure included in (a)
d	Number of conservation easements included in (c) acquired after 8/17/06

3

Number of conservation easements modified, transferred, released, extinguished, or terminated by the organization during the taxable year ► \_\_\_\_\_

4

Number of states where property subject to conservation easement is located ► \_\_\_\_\_

5

Does the organization have a written policy regarding the periodic monitoring, inspection, handling of violations, and enforcement of the conservation easements it holds?

☐ Yes ☐ No

6

Staff and volunteer hours devoted to monitoring, inspecting and enforcing conservation easements during the year ► \_\_\_\_\_

7

Amount of expenses incurred in monitoring, inspecting, and enforcing conservation easements during the year  
► \$ \_\_\_\_\_

8

Does each conservation easement reported on line 2(d) above satisfy the requirements of section 170(h)(4)(B)(i) and 170(h)(4)(B)(ii)?

☐ Yes ☐ No

9

In Part XIV, describe how the organization reports conservation easements in its revenue and expense statement, and balance sheet, and include, if applicable, the text of the footnote to the organization's financial statements that describes the organization's accounting for conservation easements

Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets. Complete if the organization answered "Yes" to Form 990, Part IV, line 8.

1a

If the organization elected, as permitted under SFAS 116, not to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education or research in furtherance of public service, provide, in Part XIV, the text of the footnote to its financial statements that describes these items

b

If the organization elected, as permitted under SFAS 116, to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide the following amounts relating to these items

(i) Revenues included in Form 990, Part VIII, line 1

► \$ \_\_\_\_\_

(ii) Assets included in Form 990, Part X

► \$ \_\_\_\_\_

2

If the organization received or held works of art, historical treasures, or other similar assets for financial gain, provide the following amounts required to be reported under SFAS 116 relating to these items

a

Revenues included in Form 990, Part VIII, line 1

► \$ \_\_\_\_\_

b

Assets included in Form 990, Part X

► \$ \_\_\_\_\_

For Privacy Act and Paperwork Reduction Act Notice, see the Intructions for Form 990

Cat No 52283D

Schedule D (Form 990) 2011

Part III

Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets (continued)

3

Using the organization's accession and other records, check any of the following that are a significant use of its collection items (check all that apply)

a

☐ Public exhibition

d

☐ Loan or exchange programs

b

☐ Scholarly research

e

☐ Other

c

☐ Preservation for future generations

4

Provide a description of the organization's collections and explain how they further the organization's exempt purpose in Part XIV

5

During the year, did the organization solicit or receive donations of art, historical treasures or other similar assets to be sold to raise funds rather than to be maintained as part of the organization's collection?

☐ Yes

☐ No

Part IV

Escrow and Custodial Arrangements. Complete if the organization answered "Yes" to Form 990, Part IV, line 9, or reported an amount on Form 990, Part X, line 21.

1a

Is the organization an agent, trustee, custodian or other intermediary for contributions or other assets not included on Form 990, Part X?

☐ Yes

☐ No

b

If "Yes," explain the arrangement in Part XIV and complete the following table

	Amount
1c	
1d	
1e	
1f	

1c

Beginning balance

1d

Additions during the year

1e

Distributions during the year

1f

Ending balance

2a

Did the organization include an amount on Form 990, Part X, line 21?

☐ Yes

☐ No

b

If "Yes," explain the arrangement in Part XIV

Part V

Endowment Funds. Complete if the organization answered "Yes" to Form 990, Part IV, line 10.

	(a)Current Year	(b)Prior Year	(c)Two Years Back	(d)Three Years Back	(e)Four Years Back
1a	Beginning of year balance . . . . .				
b	Contributions . . . . .				
c	Investment earnings or losses . . . . .				
d	Grants or scholarships . . . . .				
e	Other expenditures for facilities and programs . . . . .				
f	Administrative expenses . . . . .				
g	End of year balance . . . . .				

2

Provide the estimated percentage of the year end balance held as

a

Board designated or quasi-endowment ▶

b

Permanent endowment ▶

c

Term endowment ▶

3a

Are there endowment funds not in the possession of the organization that are held and administered for the organization by

(i)

unrelated organizations . . . . .

3a(i)

☐ Yes

☐ No

(ii)

related organizations . . . . .

3a(ii)

☐ Yes

☐ No

b

If "Yes" to 3a(ii), are the related organizations listed as required on Schedule R?

3b

☐ Yes

☐ No

4

Describe in Part XIV the intended uses of the organization's endowment funds

Part VI

Land, Buildings, and Equipment. See Form 990, Part X, line 10.

Description of property	(a) Cost or other basis (investment)	(b)Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land . . . . .		28,897		28,897
b Buildings . . . . .		7,762,560	4,100,923	3,661,637
c Leasehold improvements . . . . .		433,876	378,650	55,226
d Equipment . . . . .		8,027,994	5,079,251	2,948,743
e Other . . . . .		574,826	451,170	123,656
Total. Add lines 1a-1e (Column (d) should equal Form 990, Part X, column (B), line 10(c).) . . . . . ▶				6,818,159





**Part XI Reconciliation of Change in Net Assets from Form 990 to Financial Statements**

<b>1</b>	Total revenue (Form 990, Part VIII, column (A), line 12)	<b>1</b>	
<b>2</b>	Total expenses (Form 990, Part IX, column (A), line 25)	<b>2</b>	
<b>3</b>	Excess or (deficit) for the year Subtract line 2 from line 1	<b>3</b>	
<b>4</b>	Net unrealized gains (losses) on investments	<b>4</b>	
<b>5</b>	Donated services and use of facilities	<b>5</b>	
<b>6</b>	Investment expenses	<b>6</b>	
<b>7</b>	Prior period adjustments	<b>7</b>	
<b>8</b>	Other (Describe in Part XIV)	<b>8</b>	
<b>9</b>	Total adjustments (net) Add lines 4 - 8	<b>9</b>	
<b>10</b>	Excess or (deficit) for the year per financial statements Combine lines 3 and 9	<b>10</b>	

**Part XII Reconciliation of Revenue per Audited Financial Statements With Revenue per Return**

<b>1</b>	Total revenue, gains, and other support per audited financial statements . . . . .	<b>1</b>	
<b>2</b>	Amounts included on line 1 but not on Form 990, Part VIII, line 12		
<b>a</b>	Net unrealized gains on investments . . . . .	<b>2a</b>	
<b>b</b>	Donated services and use of facilities . . . . .	<b>2b</b>	
<b>c</b>	Recoveries of prior year grants . . . . .	<b>2c</b>	
<b>d</b>	Other (Describe in Part XIV) . . . . .	<b>2d</b>	
<b>e</b>	Add lines <b>2a</b> through <b>2d</b> . . . . .	<b>2e</b>	
<b>3</b>	Subtract line <b>2e</b> from line <b>1</b> . . . . .	<b>3</b>	
<b>4</b>	Amounts included on Form 990, Part VIII, line 12, but not on line <b>1</b>		
<b>a</b>	Investment expenses not included on Form 990, Part VIII, line 7b . . . . .	<b>4a</b>	
<b>b</b>	Other (Describe in Part XIV) . . . . .	<b>4b</b>	
<b>c</b>	Add lines <b>4a</b> and <b>4b</b> . . . . .	<b>4c</b>	
<b>5</b>	Total Revenue Add lines <b>3</b> and <b>4c</b> . (This should equal Form 990, Part I, line 12 ) . . . . .	<b>5</b>	

**Part XIII Reconciliation of Expenses per Audited Financial Statements With Expenses per Return**

<b>1</b>	Total expenses and losses per audited financial statements . . . . .	<b>1</b>	
<b>2</b>	Amounts included on line 1 but not on Form 990, Part IX, line 25		
<b>a</b>	Donated services and use of facilities . . . . .	<b>2a</b>	
<b>b</b>	Prior year adjustments . . . . .	<b>2b</b>	
<b>c</b>	Other losses . . . . .	<b>2c</b>	
<b>d</b>	Other (Describe in Part XIV) . . . . .	<b>2d</b>	
<b>e</b>	Add lines <b>2a</b> through <b>2d</b> . . . . .	<b>2e</b>	
<b>3</b>	Subtract line <b>2e</b> from line <b>1</b> . . . . .	<b>3</b>	
<b>4</b>	Amounts included on Form 990, Part IX, line 25, but not on line <b>1</b> :		
<b>a</b>	Investment expenses not included on Form 990, Part VIII, line 7b . . . . .	<b>4a</b>	
<b>b</b>	Other (Describe in Part XIV) . . . . .	<b>4b</b>	
<b>c</b>	Add lines <b>4a</b> and <b>4b</b> . . . . .	<b>4c</b>	
<b>5</b>	Total expenses Add lines <b>3</b> and <b>4c</b> . (This should equal Form 990, Part I, line 18 ) . . . . .	<b>5</b>	

**Part XIV Supplemental Information**

Complete this part to provide the descriptions required for Part II, lines 3, 5, and 9, Part III, lines 1a and 4, Part IV, lines 1b and 2b, Part V, line 4, Part X, Part XI, line 8, Part XII, lines 2d and 4b, and Part XIII, lines 2d and 4b. Also complete this part to provide any additional information.

Identifier	Return Reference	Explanation
------------	------------------	-------------

SCHEDULE G  
(Form 990 or 990-EZ)

Supplemental Information Regarding  
Fundraising or Gaming Activities

Complete if the organization answered "Yes" to Form 990, Part IV, lines 17, 18, or 19,  
or if the organization entered more than \$15,000 on Form 990-EZ, line 6a.  
▶ Attach to Form 990 or Form 990-EZ. ▶ See separate instructions.

OMB No 1545-0047

2011

Open to Public  
Inspection

Department of the Treasury  
Internal Revenue Service

Name of the organization  
Penobscot Valley Hospital

Employer identification number  
01-0545327

Part I Fundraising Activities. Complete if the organization answered "Yes" to Form 990, Part IV, line 17.

1

Indicate whether the organization raised funds through any of the following activities. Check all that apply.

a

☐ Mail solicitations

b

☐ Internet and e-mail solicitations

c

☐ Phone solicitations

d

☐ In-person solicitations

e

☐ Solicitation of non-government grants

f

☐ Solicitation of government grants

g

☐ Special fundraising events

2a

Did the organization have a written or oral agreement with any individual (including officers, directors, trustees or key employees listed in Form 990, Part VII) or entity in connection with professional fundraising services?

☐ Yes

☐ No

b

If "Yes," list the ten highest paid individuals or entities (fundraisers) pursuant to agreements under which the fundraiser is to be compensated at least \$5,000 by the organization. Form 990-EZ filers are not required to complete this table.

(i) Name and address of individual or entity (fundraiser)	(ii) Activity	(iii) Did fundraiser have custody or control of contributions?		(iv) Gross receipts from activity	(v) Amount paid to (or retained by) fundraiser listed in col (i)	(vi) Amount paid to (or retained by) organization
		Yes	No			
Total . . . . . ▶						

3

List all states in which the organization is registered or licensed to solicit funds or has been notified it is exempt from registration or licensing.

Part II Fundraising Events.

Complete if the organization answered "Yes" to Form 990, Part IV, line 18, or reported more than \$15,000 on Form 990-EZ, line 6a. List events with gross receipts greater than \$5,000.

		(a) Event #1	(b) Event #2	(c) Other Events	(d) Total Events
		Golf Tournament (event type)	Fashion Show (event type)	(total number)	(Add col (a) through col (c))
Revenue	1	Gross receipts . . . .	15,226	7,852	23,078
	2	Less Charitable contributions . . . .	10,558	7,060	17,618
	3	Gross income (line 1 minus line 2) . . . .	4,668	792	5,460
Direct Expenses	4	Cash prizes . . . .			
	5	Non-cash prizes . . . .			
	6	Rent/facility costs . . . .	3,852		3,852
	7	Food and beverages . . . .		2,175	2,175
	8	Entertainment . . . .			
	9	Other direct expenses . . . .	1,727	809	2,536
	10	Direct expense summary Add lines 4 through 9 in column (d) . . . . . ▶			( 8,563 )
	11	Net income summary Combine lines 3 and 10 in column (d). . . . . ▶			-3,103

Part III Gaming.

Complete if the organization answered "Yes" to Form 990, Part IV, line 19, or reported more than \$15,000 on Form 990-EZ, line 6a.

		(a) Bingo	(b) Pull tabs/Instant bingo/progressive bingo	(c) Other gaming	(d) Total gaming
					(Add col (a) through col (c))
Revenue	1	Gross revenue . . . . .			
	2	Cash prizes . . . . .			
Direct Expenses	3	Non-cash prizes . . . . .			
	4	Rent/facility costs . . . . .			
	5	Other direct expenses . . . . .			
	6	Volunteer labor . . . . .	<input type="checkbox"/> Yes ..... <input type="checkbox"/> No	<input type="checkbox"/> Yes ..... <input type="checkbox"/> No	<input type="checkbox"/> Yes ..... <input type="checkbox"/> No
	7	Direct expense summary Add lines 2 through 5 in column (d) . . . . . ▶			( )
	8	Net gaming income summary Combine lines 1 and 7 in column (d) . . . . . ▶			

9 Enter the state(s) in which the organization operates gaming activities \_\_\_\_\_

a Is the organization licensed to operate gaming activities in each of these states? . . . . . ☐ Yes ☐ No

b If "No," Explain \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

10a Were any of the organization's gaming licenses revoked, suspended or terminated during the tax year? . . . . . ☐ Yes ☐ No

b If "Yes," Explain \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

- 11

Does the organization operate gaming activities with nonmembers?

Yes

No
- 12

Is the organization a grantor, beneficiary or trustee of a trust or a member of a partnership or other entity formed to administer charitable gaming?

Yes

No

13

Indicate the percentage of gaming activity operated in

a	The organization's facility	13a
b	An outside facility	13b

14

Provide the name and address of the person who prepares the organization's gaming/special events books and records

Name

Address

15a

Does the organization have a contract with a third party from whom the organization receives gaming revenue?

Yes

No

b

If "Yes," enter the amount of gaming revenue received by the organization \$ and the amount of gaming revenue retained by the third party \$

c

If "Yes," enter name and address

Name

Address

16

Gaming manager information

Name

Gaming manager compensation

\$

Description of services provided

Director/officer

Employee

Independent contractor

17

Mandatory distributions

a

Is the organization required under state law to make charitable distributions from the gaming proceeds to retain the state gaming license?

Yes

No

b

Enter the amount of distributions required under state law distributed to other exempt organizations or spent in the organization's own exempt activities during the tax year \$

Part IV

Complete this part to provide additional information for responses to question on Schedule G (see instructions.)

Identifier	ReturnReference	Explanation
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SCHEDULE H  
(Form 990)

Department of the Treasury  
Internal Revenue Service

Hospitals

▶ Complete if the organization answered "Yes" to Form 990, Part IV, question 20.  
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization  
Penobscot Valley Hospital

Employer identification number  
01-0545327

Part I

Charity Care and Certain Other Community Benefits at Cost

		Yes	No	
1a	Did the organization have a charity care policy? If "No," skip to question 6a . . . . .	1a	Yes	
b	If "Yes," is it a written policy? . . . . .	1b	Yes	
2	If the organization had multiple hospitals, indicate which of the following best describes application of the charity care policy to the various hospitals  <input type="checkbox"/> Applied uniformly to all hospitals <input type="checkbox"/> Generally tailored to individual hospitals <input type="checkbox"/> Applied uniformly to most hospitals			
3	Answer the following based on the charity care eligibility criteria that applies to the largest number of the organization's patients during the tax year  a Did the organization use Federal Poverty Guidelines (FPG) to determine eligibility for providing <i>free</i> care? If "Yes," indicate which of the following is the FPG family income limit for eligibility for free care  <input type="checkbox"/> 100% <input type="checkbox"/> 150% <input checked="" type="checkbox"/> 200% <input type="checkbox"/> Other _____ %  b Did the organization use FPG to determine eligibility for providing <i>discounted</i> care? If "Yes," indicate which of the following is the family income limit for eligibility for discounted care . . . . .  <input type="checkbox"/> 200% <input type="checkbox"/> 250% <input type="checkbox"/> 300% <input type="checkbox"/> 350% <input type="checkbox"/> 400% <input checked="" type="checkbox"/> Other <b>275.000000000000</b> %	3a	Yes	
		3b	Yes	
c	If the organization did not use FPG to determine eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care. Include in the description whether the organization uses an asset test or other threshold, regardless of income, to determine eligibility for free or discounted care			
4	Did the organization's policy provide free or discounted care to the "medically indigent"? . . . . .	4	Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year? . . . . .	5a	Yes	
b	If "Yes," did the organization's charity care expenses exceed the budgeted amount? . . . . .	5b	Yes	
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care? . . . . .	5c		No
6a	Did the organization prepare a community benefit report during the tax year? . . . . .	6a		
6b	If "Yes," did the organization make it available to the public? . . . . .	6b		
	Complete the following table using the worksheets provided in the Schedule H instructions. Do not submit these worksheets with the Schedule H			

7

Charity Care and Certain Other Community Benefits at Cost

Charity Care and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Chanty care at cost (from Worksheet 1) . . . . .			938,677		938,677	3 800 %
b Medicaid (from Worksheet 3, column a) . . . . .			5,620,801	5,259,266	361,535	1 460 %
c Costs of other means-tested government programs (from Worksheet 3, column b) . . . . .			11,740,358	12,157,302	-416,944	0 %
d Total Charity Care and Means-Tested Government Programs . . . . .			18,299,836	17,416,568	883,268	5 260 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4) . . . . .			10,577	1,722	8,855	0 040 %
f Health professions education (from Worksheet 5) . . . . .						
g Subsidized health services (from Worksheet 6) . . . . .						
h Research (from Worksheet 7) . . . . .						
i Cash and in-kind contributions for community benefit (from Worksheet 8) . . . . .			10,625		10,625	0 040 %
j Total Other Benefits . . . . .			21,202	1,722	19,480	0 080 %
k Total. Add lines 7d and 7j . . . . .			18,321,038	17,418,290	902,748	5 340 %

Part IICommunity Building Activities

Complete this table if the organization conducted any community building activities.

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1Physical improvements and housing						
2Economic development						
3Community support						
4Environmental improvements						
5Leadership development and training for community members						
6Coalition building						
7Community health improvement advocacy						
8Workforce development						
9Other						
10Total						

Part IIIBad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

		Yes	No
1Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No. 15?	1	Yes	
2Enter the amount of the organization's bad debt expense	2	804,949	
3Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's charity care policy	3		
4Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense. In addition, describe the costing methodology used in determining the amounts reported on lines 2 and 3, and rationale for including a portion of bad debt amounts as community benefit.			

Section B. Medicare

5Enter total revenue received from Medicare (including DSH and IME)	5	10,509,166	
6Enter Medicare allowable costs of care relating to payments on line 5	6	10,509,166	
7Subtract line 6 from line 5. This is the surplus or (shortfall).	7		
8Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit. Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6. Check the box that describes the method used: <input type="checkbox"/> Cost accounting system <input checked="" type="checkbox"/> Cost to charge ratio <input type="checkbox"/> Other			

Section C. Collection Practices

9aDid the organization have a written debt collection policy during the tax year?	9a	Yes	
9bIf "Yes," did the organization's collection policy that applied to the largest number of its patients during the tax year contain provisions on the collection practices to be followed for patients who are known to qualify for financial assistance? Describe in Part VI.	9b	Yes	

Part IVManagement Companies and Joint Ventures (see instructions)

(a) Name of entity	(b) Description of primary activity of entity	(c) Organization's profit % or stock ownership %	(d) Officers, directors, trustees, or key employees' profit % or stock ownership%	(e) Physicians' profit % or stock ownership %
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				

## Section A. Hospital Facilities

(list in order of size from largest to smallest)

How many hospital facilities did the organization operate during the tax year? 1

## Name and address

[illegible]

Part V Facility Information (continued)

Section B. Facility Policies and Practices.

(Complete a separate Section B for each of the hospital facilities listed in Part V, Section A)

Penobscot Valley Hospital

Name of Hospital Facility: \_\_\_\_\_

Line Number of Hospital Facility (from Schedule H, Part V, Section A): \_\_\_\_\_1\_\_\_\_\_

	Yes	No
Community Health Needs Assessment (Lines 1 through 7 are optional for 2011)		
1 During the tax year or any prior tax year, did the hospital facility conduct a community health needs assessment ("Needs Assessment")? If "No," skip to question 8 . . . . . If "Yes," indicate what the Needs Assessment describes (check all that apply) a <input type="checkbox"/> A definition of the community served by the hospital facility b <input type="checkbox"/> Demographics of the community c <input type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community d <input type="checkbox"/> How data was obtained e <input type="checkbox"/> The health needs of the community f <input type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups g <input type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet those needs h <input type="checkbox"/> The process for consulting with persons representing the community's interests i <input type="checkbox"/> Information gaps that limit the hospital facility's ability to assess the community's health needs j <input type="checkbox"/> Other (describe in Part VI)	1	
2 Indicate the tax year the hospital facility last conducted a Needs Assessment 20 ____		
3 In conducting its most recent Needs Assessment, did the hospital facility take into account input from persons who represent the community served by the hospital facility? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	3	
4 Was the hospital facility's Needs Assessment conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI . . . . .	4	
5 Did the hospital facility make its Needs Assessment widely available to the public? . . . . . If "Yes," indicate how the Needs Assessment was made widely available (check all that apply) a <input type="checkbox"/> Hospital facility's website b <input type="checkbox"/> Available upon request from the hospital facility c <input type="checkbox"/> Other (describe in Part VI)	5	
6 If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply) a <input type="checkbox"/> Adoption of an implementation strategy to address the health needs of the hospital facility's community b <input type="checkbox"/> Execution of the implementation strategy c <input type="checkbox"/> Development of a community-wide community benefit plan for the facility d <input type="checkbox"/> Participation in community-wide community benefit plan e <input type="checkbox"/> Inclusion of a community benefit section in operational plans f <input type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the CHNA g <input type="checkbox"/> Prioritization of health needs in the community h <input type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community i <input type="checkbox"/> Other (describe in Part VI)		
7 Did the hospital facility address all of the needs identified in its most recently conducted Needs Assessment? If "No," explain in Part VI which needs it has not addressed together with the reasons why it has not addressed such needs	7	
Financial Assistance Policy		
Did the hospital facility have in place during the tax year a written financial assistance policy that		
8 Explains eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	8	Yes
9 Used federal poverty guidelines (FPG) to determine eligibility for providing free care? . . . . . If "Yes," indicate the FPG family income limit for eligibility for free care <u>200 00000000000000</u> % If "No," explain in Part VI the criteria the hospital facility used	9	Yes



Part V

Facility Information (continued)

		Yes	No	
10	Used FPG to determine eligibility for providing discounted care? . . . . . If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>275 000000000000%</u> If "No," explain in Part VI the criteria the hospital facility used	10	Yes	
11	Explained the basis for calculating amounts charged to patients? . . . . . If "Yes," indicate the factors used in determining such amounts (check all that apply) a <input checked="" type="checkbox"/> Income level b <input type="checkbox"/> Asset level c <input type="checkbox"/> Medical indigency d <input type="checkbox"/> Insurance status e <input type="checkbox"/> Uninsured discount f <input type="checkbox"/> Medicaid/Medicare g <input checked="" type="checkbox"/> State regulation h <input type="checkbox"/> Other (describe in Part VI)	11	Yes	
12	Explained the method for applying for financial assistance? . . . . .	12	Yes	
13	Included measures to publicize the policy within the community served by the hospital facility? . . . . . If "Yes," indicate how the hospital facility publicized the policy (check all that apply) a <input type="checkbox"/> The policy was posted at all times on the hospital facility's web site b <input type="checkbox"/> The policy was attached to all billing invoices c <input type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms d <input type="checkbox"/> The policy was posted in the hospital facility's admissions offices e <input type="checkbox"/> The policy was provided, in writing, to patients upon admission to the hospital facility f <input checked="" type="checkbox"/> The policy was available upon request g <input checked="" type="checkbox"/> Other (describe in Part VI)	13	Yes	

Billing and Collections

14	Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment? . . . . .	14	Yes	
15	Check all of the following collection actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP a <input type="checkbox"/> Reporting to credit agency b <input type="checkbox"/> Lawsuits c <input type="checkbox"/> Liens on residences d <input type="checkbox"/> Body attachments or arrests e <input type="checkbox"/> Other similar actions (describe in Part VI)			
16	Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP? . . . . . If "Yes," check all actions in which the hospital facility or a third party engaged a <input type="checkbox"/> Reporting to credit agency b <input type="checkbox"/> Lawsuits c <input type="checkbox"/> Liens on residences d <input type="checkbox"/> Body attachments e <input type="checkbox"/> Other similar actions (describe in Part VI)	16		No
17	Indicate which efforts the hospital facility made before initiating any of the actions checked in question 16 (check all that apply) a <input type="checkbox"/> Notified patients of the financial assistance policy upon admission b <input type="checkbox"/> Notified patients of the financial assistance policy prior to discharge c <input type="checkbox"/> Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills d <input type="checkbox"/> Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy e <input type="checkbox"/> Other (describe in Part VI)			

Part V

Facility Information (continued)

Policy Relating to Emergency Medical Care

		Yes	No
18	Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that requires the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the hospital facility's financial assistance policy? . . . . . If "No," indicate why	Yes	
a	<input type="checkbox"/> The hospital facility did not provide care for any emergency medical conditions		
b	<input type="checkbox"/> The hospital facility's policy was not in writing		
c	<input type="checkbox"/> The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)		
d	<input type="checkbox"/> Other (describe in Part VI)		

Individuals Eligible for Financial Assistance

19	Indicate how the hospital facility determined, during the tax year, the maximum amounts that can be charged to FAP-eligible individuals for emergency or other medically necessary care		
a	<input type="checkbox"/> The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged		
b	<input type="checkbox"/> The hospital facility used the average of it's three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged		
c	<input type="checkbox"/> The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged		
d	<input type="checkbox"/> Other (describe in Part VI)		
20	Did the hospital facility charge any of its patients who were eligible for assistance under the hospital facility's financial assistance policy, and to whom the hospital facility provided emergency or other medically necessary services, more than the amounts generally billed to individuals who had insurance covering such care? . . . . . If "Yes," explain in Part VI		No
21	Did the hospital facility charge any of its FAP-eligible patients an amount equal to the gross charge for services provided to that patient? . . . . . If "Yes," explain in Part VI		No

Part V

Facility Information (continued)

Section C. Other Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility

(list in order of size from largest to smallest)

How many non-hospital facilities did the organization operate during the tax year? \_\_\_\_\_

Name and address		Type of Facility (Describe)
1		
2		
3		
4		
5		
6		
7		
8		
9		
10		

Part VI

Supplemental Information

Complete this part to provide the following information

- 1
- Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7, Part II, Part III, lines 4, 8, and 9b, and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 9, 10, 11h, 13g, 15e, 16e, 17e, 18d, 19d, 20, and 21
- 2
- Community health needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any community health needs assessments reported in Part V, Section B
- 3
- Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy
- 4
- Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves
- 5
- Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e g , open medical staff, community board, use of surplus funds, etc )
- 6
- Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served
- 7
- State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report

Identifier	ReturnReference	Explanation
		Part I, Line 7, Column (f) The Bad Debt expense included on Form 990, Part IX, Line 25, Column (A ), but subtracted for purposes of calculating the percentage in this column is \$ 1166803

Identifier	ReturnReference	Explanation
		Part III, Line 4 Patient accounts receivable are stated at the amount management expects to collect from outstanding balances Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts Balances that are outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to patient accounts receivable The amount of \$ reported on Line 3 was estimated based on a review of patient records

Identifier	ReturnReference	Explanation
		Part III, Line 8 The Organization uses its Medicare Cost Report to obtain the amounts reported above

Identifier	ReturnReference	Explanation
		Part III, Line 9b The Hospital would not initiate collection efforts against a patient that qualified for a sliding fee scale unless that patient failed to meet their obligation under payment arrangement agreed to by both parties After it was determined that the patient did not qualify for a readjustment to their payment terms, the Hospital would follow normal notification practices dictated by our collection policy until the account eventually ended up in collections

Identifier	ReturnReference	Explanation
Penobscot Valley Hospital		Part V, Section B, Line 13g. The FAP application is sent with all first time statements. A notice of the FAP is also posted in the FAQ section of the Organization's website. Notices are also posted at all entrances to the Hospital and at various locations within the building.



Identifier	ReturnReference	Explanation
Penobscot Valley Hospital		Part V, Section B, Line 19d The Hospital applied the determined discount to the gross charge amount for self pay patients The Hospital applied the determined discount to the remaining balance after insurance payment, if applicable

Identifier	ReturnReference	Explanation
		Part VI, Line 2 In 2010, PVH joined three other healthcare organizations in performing a joint community needs assessment for all of our service areas in northern Penobscot County This group retained professional help to do the research, community focus groups, surveys, data manipulation, and report writing We looked to identify gaps in services for the entire area, and also to try and identify opportunities for collaboration in providing those services to our communities In addition to this assessment, the three largest hospitals in the state conducted a state-wide needs assessment that was broken down by county and service area This too has provided us with information to use in our hospital planning sessions We continually ask our patients if there are things that we could do better, or if there are services that they need that are not currently being offered locally If something is identified that we have the capability to do, then we try to meet the needs of our community One example would be expanding the hours available for walk-in services at our laboratory and x-ray departments This was done in response to feedback from a survey done by the staff

Identifier	ReturnReference	Explanation
		Part VI, Line 3 Notices regarding PVH's charity care policy are posted around the hospital We also have information in each patient room, and our employees know to refer patients to the registration or billing offices of the hospital if they have questions

Identifier	ReturnReference	Explanation
		Part VI, Line 4 Lincoln is a rural community of approximately 5,700 people located in north central Maine Our service area consists of many small towns that use Lincoln as a hub The hospital, school system, logging companies, and paper mill are the major employers in town Life and industry primarily revolve around the woods of central Maine It is an area rich with history for making paper Maine is one of the oldest states in the nation according to the latest US Census report, and Lincoln reflects that demographic The median resident age in 2008 was 40 7 years Lincoln is located in a modest area of the State, where the median resident income in 2008 was \$32,229 Maine's average income for that same time period was \$46,581

Identifier	ReturnReference	Explanation
		<p>Part VI, Line 5 Penobscot Valley Hospital in Lincoln, Maine provides a substantial range of free or low-cost services, care, and educational opportunities to the Lincoln Lakes Region in northern Maine. PVH is one of the largest employers in the area and provides careers for more than 225 people in a region in which people struggle to find full-time, good paying employment. PVH is also the only rural health center with emergency care in the region for many of our patients and clients. The nearest Critical Access Hospital is 30 minutes away, and the nearest full service hospital is more than 45 minutes away from PVH. Sustaining PVH's longevity not only means vital services remain nearby for our patients but also that the economic vitality of the region is better secured. During 2011, PVH partnered with many agencies to reach a broad range of people. Some of those agencies included Millinocket Regional Hospital, Health Access Network, the Town of Lincoln, the Lincoln Police Department, the Lincoln Fire Department, RSU #67, Community Health and Counseling Services, Katahdin Shared Services, the Maine CDC, Colonial Acres Nursing Home, and Cummings Health Care Center. These partnerships allowed PVH to provide education, services, and informational materials to people in our region and help people learn to be and stay well. Blood Drives PVH held two American Red Cross blood drives in 2011 - one in June and another in December, both at the Lincoln Knights of Columbus Hall. The blood drives resulted in over 100 units of blood being collected for those in need. Childbirth Education Several times a year, PVH provides education at low or no cost to expectant mothers and families. These classes are typically held on the weekends and teach comfort during pregnancy, relaxation techniques, pain control, baby care, and much more. For those families delivering at PVH, they are showered with gifts from the PVH Auxiliary, enjoy the baby's first birthday cake made special by our Food Services Staff, and receive books through the Raising Readers program. Disaster Preparedness PVH participates in a regional disaster preparedness committee with several other agencies including doctors' groups, other hospitals, local police and fire departments, schools, and other organizations. The goal of these monthly meetings is to prepare for pandemic flu, natural disasters, or other incidents that could affect our communities as well as to find ways to work together to share resources and protect the community. Economic Impact PVH is one of the largest employers in the Lincoln Lakes Region. By employing more than 240 people in the community, PVH is a critical leader in creating and maintaining jobs and livelihoods in the region. Education Each week, the PVH staff places articles and ads in the local paper, the Lincoln News, the PVH website, PVH Facebook page, and other nearby publications covering topics that are helpful to the general public. These include topics such as hand hygiene, disease prevention, and nutritional advice. The hospital also produces a variety of brochures and educational materials covering a wide range of health-related topics which are handed out to the public. Our ED staff and Emergency Medical Technicians taught a parenting group the Heimlich maneuver, car seat safety, and helmet safety, as well as proper hand washing and first aid to a Cub Scout den. Our Quality Improvement department conducted two lectures to the University of Maine nursing students on quality and service issues. The Pharmacist offered a medication safety session to the Golden Key Senior Center in Lincoln. Educational Tours Students from local schools throughout the region, as well as Boy and Girl Scout troops, were given tours of PVH during 2011. Also, students from Northern Penobscot Technical School (Region III) and several colleges visited the hospital on tours, learning about nuclear medicine, nursing, becoming Certified Nursing Assistants, and pursuing other careers in healthcare. Every 15-Minutes Participant PVH is a major contributor to the Mattanawcook Academy Every 15 Minutes mock accident. On Thursday, April 28, two students from Mattanawcook Academy were transported to PVH as part of a mock accident set up at the high school. Students were treated for "injuries" as part of the drill to teach students the harsh realities of drunk and distracted driving. "Every 15 Minutes" is a national program designed to remind us about all of the dangers associated with driving while impaired or texting. The event was a true community-wide effort including students, parents, educators, school personnel, law enforcement, legal representatives, medical professionals, media, and many local businesses. All juniors and seniors at Mattanawcook Academy play a role in the event, whether they are part of the accident or bystanders at the scene. The two-day event is filled with harsh realities and consequences. Some students lose lives and some lose freedoms in this mock</p>

Identifier	ReturnReference	Explanation
		<p>k drill, but all of the students see the impact they have on the community when they choos e to drive while impaired or text while driving Falls RisksPVH is also providing educatio n on fall risks and measures that can be taken at home to decrease a patient's risk of fal ls and injury The hospital provides patients with a handout that teaches ways to make the ir home safe and other tips to avoid falls There is an active Falls Team who works on pro jects to make the hospital and our community a safer place Food Cupboard SupportThroughout the year, staff and visitors to the PVH Cafeteria place change in a special container by the checkout counter Periodically, this change is removed and donated to the Lincoln Are a Food Cupboard, which supplies food, clothing, and other necessities to people in need I n 2011, PVH collected \$500 for the Lincoln Area Food Cupboard InfluenzaOur clinicians and support staff held multiple influenza vaccination clinics in our immediate community as well as for the schools and the public Internships/Job ShadowingThe hospital works closely with students from the Greater Bangor area PVH has hosted many job shadow opportunities from local high school and college students Beal College and Northern Penobscot Tech (Reg ion III) had students complete their clinical rotations for Medial Assistant, Certified Nu rsing Assistant and Phlebotomy at the hospital Husson University sent students to the PVH Pharmacy for their rotations The hospital conducts "mock interviews" with Region III stu dents in their Skills Lab to help prepare them for the workforce PVH also partnered with t he University of Maine Business School students in the American Marketing Association to c onduct a community awareness and perception study The students gained valuable, real-life education skills through survey implementation, data collection, analysis, and business p resentation Laboratory ServicesMedical Laboratory Technologists in the PVH Laboratory mak e weekly visits to four area nursing homes to collect specimens from residents The techno logists have also provided free educational sessions to nursing home staff members on spec imen collection Lincoln ExpoIn April, staff at PVH volunteered their time to teach the co mmunity about services offered at PVH Attendees at the Lincoln Expo had the opportunity t o learn about imaging and radiology services, how to properly use an AED device, volunteer ing through the Auxiliary, rehabilitation services, meaningful use in healthcare, and the new patient beds Meeting Space for Non-ProfitsPVH offers conference room space to local no n-profit organizations This space is offered when it does not interfere with hospital bus iness, at no cost to the organizations Nursing Home PresentsEach year, the PVH staff colle cts presents for local nursing home residents These gifts are given to local residents of nursing and boarding homes, who may not have received holiday gifts otherwise The staff and residents truly look forward to each holiday season At least three dozen presents are generally distributed in time for the holidays Nutritional EducationPVH offered a variet y of nutritional, educational opportunities through seminars and small group speaking enga gements These sessions were performed through our registered dietitian and our nursing st aff Primary Care Penobscot Valley Primary Care is located in the hospital's Medical Arts Building and provides walk-in care on Wednesdays and Thursdays Public CPR, First Aid, and Babysitting ClassesPVH staff makes several classes available to the community throughout t he year at low or no cost to teenagers and adults</p>

Identifier	ReturnReference	Explanation
Reports Filed With States	Part VI, Line 7	ME

Identifier	ReturnReference	Explanation
Continuation of Schedule H, Part VI, Line 5	Form 990, Schedule H, Part VI, Line 5	<p>School Visits Professionals at PVH often visit local schools to share information on health-related topics with young people. These range from our laboratory technicians teaching kids about their career field to our laparoscopic surgeon explaining surgical procedures to kids on their level. Normally, students are given something to help retain the material, such as coloring books, posters, informational materials for parents, or small promotional items such as hand sanitizer or bandage containers.</p> <p>Social Work Networking Each month, PVH hosts a networking luncheon for social workers and others who do similar work in the community. PVH provides education for them and facilitates discussions about social work-related issues. These luncheons are offered at no cost to the participants. PVH also supports a grant-funded community health coalition in collaboration with Millinocket Regional Hospital and the River Coalition in Old Town. SPRINT for Life is part of a statewide system of public health organizations that bring people and resources together to improve the health of Maine residents. Some of the coalitions recent projects include prescription drug take back events, community education, and childcare provider trainings on a range of health-related topics. All services are provided to the community free of charge.</p> <p>SPRINT for Life</p> <ol style="list-style-type: none"><li>5K Run/Walk for Wellness. Nearly 90 participants raced in the 5K organized by SPRINT during the Lincoln Homecoming celebration. The walk raises awareness of the importance of living a healthy lifestyle.</li><li>Facilitated Training for Childcare Providers. Approximately 20 area childcare providers received over 60 hours of training from SPRINT on health topics such as childhood obesity, secondhand smoke, personal health, physical activity and nutrition.</li><li>Head Start. SPRINT for Life offers free trainings for parents of young people through the Head Start programs in the region. During 2011, these sessions focused on healthy homes.</li><li>Improving the Early Childhood Environment. Provided two \$500 mini grants to childcare centers in the area for the purchase of play equipment and shade structures to enhance opportunities for physical activity and reduce sun exposure in the childcare setting.</li><li>Newsletters. Distributed a monthly health newsletter to area worksites, healthcare providers, and community members.</li><li>Partnering with Other Agencies. SPRINT for Life works with many local agencies to increase the reach of the community benefit, including Community Health and Counseling Services, Rape Response Services, Health Access Network, the Lincoln Police and Fire Departments, the Lincoln Recreation Department, Penquis Cap, Spruce Run, the River Coalition, Bangor Public Health, the Maine CDC, and Millinocket Regional Hospital, along with many others.</li><li>Providing Opportunities to Dispose of Unwanted Medications. Sponsored two drug takeback events in 2011 in partnership with the Lincoln Police Department and Maine Drug Enforcement Agency. In addition to the events, SPRINT purchased a drug drop box for the Lincoln Public Safety Building so that community members can dispose of medications on an ongoing basis.</li><li>Recognizing Substance Abuse. In 2011, SPRINT offered seminars for teachers on how to recognize the signs of substance abuse and what steps can be taken when substance abuse is suspected.</li><li>Sponsored Responsible Beverage Server/Seller Training. Fifteen sellers and/or servers attended a five hour training session. These sessions train people who sell or serve alcoholic beverages specific ways to improve public health and safety.</li><li>Tobacco Cessation. Provided tobacco quit packs to three area healthcare providers who partnered with SPRINT to offer smoking cessation programs to their patients.</li><li>Tobacco Prevention. Purchased 25 new tobacco free signs for area playgrounds, playing fields, schools, community organizations and businesses.</li></ol> <p>Vital Services PVH provides vital services to the community, of which most are paid for through individuals, insurance companies, MaineCare and Medicare. In 2011, the hospital handled or performed:</p> <ol style="list-style-type: none"><li>39,116 patient visits</li><li>8,378 visits to the emergency room</li><li>838 operating room cases</li><li>77 newborns</li><li>1,655 ambulance runs</li><li>3,459 EKGs</li><li>30,302 respiratory therapy treatments</li><li>83,235 lab tests</li><li>12,631 physical therapy modalities</li><li>2,871 speech therapy treatments</li><li>3,190 occupational therapy treatments</li><li>452 cases involving nuclear medicine</li><li>1,428 mammograms</li><li>1,693 CT scans</li><li>168 bone density tests</li><li>796 MRIs</li><li>2,149 ultrasounds</li><li>342 vascular exams</li><li>5,762 X-rays</li></ol>



## Grants and Other Assistance to Organizations, Governments and Individuals in the United States

OMB No 1545-0047

# 2011

## Open to Public Inspection

Department of the Treasury  
Internal Revenue Service

**Complete if the organization answered "Yes," to Form 990, Part IV, line 21 or 22.**  
**▶ Attach to Form 990**

Name of the organization  
Penobscot Valley Hospital

Employer identification number

01-0545327

## Part I General Information on Grants and Assistance

- 1** Does the organization maintain records to substantiate the amount of the grants or assistance, the grantees' eligibility for the grants or assistance, and the selection criteria used to award the grants or assistance? ☒ Yes ☐ No
- 2** Describe in Part IV the organization's procedures for monitoring the use of grant funds in the United States

**Part II** **Grants and Other Assistance to Governments and Organizations in the United States.** Complete if the organization answered "Yes" to Form 990, Part IV, line 21 for any recipient that received more than \$5,000. Check this box if no one recipient received more than \$5,000. Use Part IV and Schedule I-1 (Form 990) if additional space is needed.

<b>2</b>	Enter total number of section 501(c)(3) and government organizations listed in the line 1 table . . . . .	▶	1
<b>3</b>	Enter total number of other organizations listed in the line 1 table . . . . .	▶	

Part III

Grants and Other Assistance to Individuals in the United States. Complete if the organization answered "Yes" to Form 990, Part IV, line 22.  
Use Schedule I-1 (Form 990) if additional space is needed.

(a)Type of grant or assistance	(b)Number of recipients	(c)Amount of cash grant	(d)Amount of non-cash assistance	(e)Method of valuation (book, FMV, appraisal, other)	(f)Description of non-cash assistance

Part IV

Supplemental Information. Complete this part to provide the information required in Part I, line 2, and any other additional information.

Identifier	Return Reference	Explanation
Procedure for Monitoring Grants in the U S	Part I, Line 2	Schedule I, Part I, Line 2 Once a month the controller for Alpine prepares a spreadsheet listing cash on hand, expenses for the month, and balance needed If Alpine is short on cash for that month the spreadsheet is printed and attached to a Check Request for the hospital for the amount that is needed to fund Alpine's expenses for that month

Schedule J  
(Form 990)

Compensation Information

OMB No 1545-0047

2011

Open to Public Inspection

For certain Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

▶ Complete if the organization answered "Yes" to Form 990, Part IV, question 23.

▶ Attach to Form 990. ▶ See separate instructions.

Name of the organization Penobscot Valley Hospital	Employer identification number 01-0545327
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Part I

Questions Regarding Compensation

	Yes	No
1a Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a Complete Part III to provide any relevant information regarding these items		
<input type="checkbox"/> First-class or charter travel		
<input type="checkbox"/> Travel for companions		
<input type="checkbox"/> Tax idemnification and gross-up payments		
<input type="checkbox"/> Discretionary spending account		
<input type="checkbox"/> Housing allowance or residence for personal use		
<input type="checkbox"/> Payments for business use of personal residence		
<input type="checkbox"/> Health or social club dues or initiation fees		
<input type="checkbox"/> Personal services (e g , maid, chauffeur, chef)		
b If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all the expenses described above? If "No," complete Part III to explain	1b	
2 Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a?	2	
3 Indicate which, if any, of the following the organization uses to establish the compensation of the organization's CEO/Executive Director Check all that apply		
<input checked="" type="checkbox"/> Compensation committee		
<input checked="" type="checkbox"/> Independent compensation consultant		
<input type="checkbox"/> Form 990 of other organizations		
<input type="checkbox"/> Written employment contract		
<input checked="" type="checkbox"/> Compensation survey or study		
<input checked="" type="checkbox"/> Approval by the board or compensation committee		
4 During the year, did any person listed in Form 990, Part VII, Section A, line 1a with respect to the filing organization or a related organization		
a Receive a severance payment or change-of-control payment?	4a	No
b Participate in, or receive payment from, a supplemental nonqualified retirement plan?	4b	No
c Participate in, or receive payment from, an equity-based compensation arrangement?	4c	No
If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III		
Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.		
5 For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of		
a The organization?	5a	No
b Any related organization?	5b	No
If "Yes," to line 5a or 5b, describe in Part III		
6 For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of		
a The organization?	6a	No
b Any related organization?	6b	No
If "Yes," to line 6a or 6b, describe in Part III		
7 For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III	7	No
8 Were any amounts reported in Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regs section 53 4958-4(a)(3)? If "Yes," describe in Part III	8	No
9 If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53 4958-6(c)?	9	

**Part II** **Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees.** Use Schedule J-1 if additional space needed.

For each individual whose compensation must be reported in Schedule J, report compensation from the organization on row (i) and from related organizations, described in the instructions on row (ii) Do not list any individuals that are not listed on Form 990, Part VII

**Note.** The sum of columns (B)(i)-(iii) for each listed individual must equal the total amount of Form 990, Part VII, Section A, line 1a, columns (D) and (E) for that individual

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
(1) David Shannon	(i)	196,267	0	7,260	0	23,919	227,446	0
	(ii)	0	0	0	0	0	0	0
(2) David L Ettinger	(i)	262,996	0	0	3,675	21,795	288,466	0
	(ii)	0	0	0	0	0	0	0
(3) David H Dumont	(i)	259,736	0	16,500	3,675	11,067	290,978	0
	(ii)	0	0	0	0	0	0	0
(4) Samer Sbayl	(i)	332,338	0	0	600	24,208	357,146	0
	(ii)	0	0	0	0	0	0	0
(5) Paul E Turnquist	(i)	252,346	0	0	0	21,795	274,141	0
	(ii)	0	0	0	0	0	0	0
	(i)							
	(ii)							
	(i)							
	(ii)							
	(i)							
	(ii)							
	(i)							
	(ii)							
	(i)							
	(ii)							
	(i)							
	(ii)							
	(i)							
	(ii)							
	(i)							
	(ii)							

**Part III**   **Supplemental Information**

Complete this part to provide the information, explanation, or descriptions required for Part I, lines 1a, 1b, 4c, 5a, 5b, 6a, 6b, 7, and 8. Also complete this part for any additional information.

Identifier	Return Reference	Explanation
Supplemental Information	Part III	Dave Shannon, CEO & Ann Marie Rush, CFO are compensated by Quorum Health Resources, an unrelated organization, for services rendered to the Organization. The amounts listed below are not included in the total reported on Form 990, Part VII, Section B for Quorum Health Resources, LLC. A breakdown of their 2011 compensation is as follows: Dave Shannon, CEO: Salary \$196,267; Benefits \$23,919; Automobile Allowance \$7,260. Ann Marie Rush: Salary \$126,000; Benefits \$15,229; Automobile Allowance \$3,600.

Schedule L  
(Form 990 or 990-EZ)

Department of the Treasury  
Internal Revenue Service

Transactions with Interested Persons

▶ Complete if the organization answered  
"Yes" on Form 990, Part IV, lines 25a, 25b, 26, 27, 28a, 28b, or 28c,  
or Form 990-EZ, Part V lines 38a or 40b.  
▶ Attach to Form 990 or Form 990-EZ. ▶ See separate instructions.

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization  
Penobscot Valley Hospital

Employer identification number  
01-0545327

Part I Excess Benefit Transactions (section 501(c)(3) and section 501 (c)(4) organizations only).  
Complete if the organization answered "Yes" on Form 990, Part IV, line 25a or 25b, or Form 990-EZ, Part V, line 40b

1	(a) Name of disqualified person	(b) Description of transaction	(c) Corrected?	
			Yes	No

2 Enter the amount of tax imposed on the organization managers or disqualified persons during the year under section 4958 . . . . . ▶ \$ \_\_\_\_\_

3 Enter the amount of tax, if any, on line 2, above, reimbursed by the organization . . . . . ▶ \$ \_\_\_\_\_

Part II Loans to and/or From Interested Persons.  
Complete if the organization answered "Yes" on Form 990, Part IV, line 26, or Form 990-EZ, Part V, line 38a

(a) Name of interested person and purpose	(b) Loan to or from the organization?		(c) Original principal amount	(d) Balance due	(e) In default?		(f) Approved by board or committee?		(g) Written agreement?	
	To	From			Yes	No	Yes	No	Yes	No
Total . . . . . ▶ \$ _____										

Part III Grants or Assistance Benefitting Interested Persons.  
Complete if the organization answered "Yes" on Form 990, Part IV, line 27.

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of grant or type of assistance

**Part IV**

**Business Transactions Involving Interested Persons.**  
Complete if the organization answered "Yes" on Form 990, Part IV, line 28a, 28b, or 28c.

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) Amy Woodman	Family member of Frederick Woodman, Jr , Board President	40,290	Employment		No
(2) Debbie Rancourt	Family member of Frederick Woodman, Jr , Board President	74,743	Employment		No

**Part V**

**Supplemental Information**  
Complete this part to provide additional information for responses to questions on Schedule L (see instructions)

Identifier	Return Reference	Explanation
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SCHEDULE O

(Form 990 or 990-EZ)

Department of the Treasury

Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

Complete to provide information for responses to specific questions on Form 990 or to provide any additional information.

▶ Attach to Form 990 or 990-EZ.

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization  
Penobscot Valley Hospital

Employer identification number  
01-0545327

Identifier	Return Reference	Explanation
	Form 990, Part VI, Section B, line 11	Once Form 990 is prepared by the certified public accounting firm, a draft copy is e-mailed to the controller. The controller will then review the Form, and also compare it with the previous year's 990. Once the controller is satisfied with the draft copy, it is forwarded to the CFO. The CFO will then review the document. Any questions she has will either be answered by the controller or the accounting firm. Once the CFO approves the draft 990, a copy is provided to the board of directors for their review. Once the board has approved the draft, the accounting firm is notified and the final version is prepared for filing.
	Form 990, Part VI, Section B, line 12c	It is the expectation of Penobscot Valley Hospital that our board of directors, medical staff, regular and contracted employees, and our volunteers avoid activities that may involve, or appear to involve, a conflict of interest. This is a standard of conduct communicated through Administrative Policy 109 "Code of Ethics," our code of conduct and ethics, and our medical by-laws. These documents are drafted and signed off by the president of the board of directors, the chief executive officer, chief of medical staff and the compliance officer as appropriate. Every individual employed by, or otherwise representing the Hospital, is responsible for complying with this standard. It is the responsibility of the compliance officer and the chief executive officer to ensure that this standard is communicated, maintained and enforced within the Organization. Administrative Policy 127 "Compliance Reporting" outlines the expectation for reporting non-compliance, the mechanisms in place to do so, and the investigative process. Such mechanisms include a 24-hour confidential reporting hotline. Education on Penobscot Valley Hospital's code of conduct and ethics is provided during orientation or at the beginning of the business relationship. Reinforcement of this education is provided annually and upon any business contract renewal.
	Form 990, Part VI, Section B, line 15	CEO & CFO - Quorum Health Resources, an unrelated organization, does an extensive national compensation analysis. Ranges are presented to the finance/personnel committee of the board by QHR, and the wage is set. Other officer's wages are set using a state-wide wage survey conducted annually by Dix Consulting. Wages are set by evaluating the position in conjunction with the job description listed in the survey.
	Form 990, Part VI, Section C, line 19	The Organization does not make its governing documents, conflict of interest policy, and financial statements available to the public.
Changes in Net Assets or Fund Balances	Form 990, Part XI, line 5	Net unrealized losses on investments -43,495. Share in Earnings of Subsidiary 12,681. Total to Form 990, Part XI, Line 5 -30,814.
Oversight of Audit	Form 990, Part XI, Line 2c	The audit process has not changed from the prior year.



SCHEDULE R  
(Form 990)

Department of the Treasury  
Internal Revenue Service

Related Organizations and Unrelated Partnerships

▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 33, 34, 35, 36, or 37.  
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization  
Penobscot Valley Hospital

Employer identification number  
01-0545327

Part I Identification of Disregarded Entities (Complete if the organization answered "Yes" on Form 990, Part IV, line 33.)

(a) Name, address, and EIN of disregarded entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Total income	(e) End-of-year assets	(f) Direct controlling entity

Part II Identification of Related Tax-Exempt Organizations (Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related tax-exempt organizations during the tax year.)

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled organization	
						Yes	No
(1) Alpine Health Services Inc PO Box 460 West Enfield, ME 04493 22-2533280	Support to provide health services in underserved areas of Maine	ME	501(c)(3)	Line 9	Penobscot Valley Hospital		No

Part III

Identification of Related Organizations Taxable as a Partnership (Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related organizations treated as a partnership during the tax year.)

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512- 514)	(f) Share of total income	(g) Share of end-of- year assets	(h) Disproportionate allocations?		(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
							Yes	No		Yes	No	

Part IV

Identification of Related Organizations Taxable as a Corporation or Trust (Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related organizations treated as a corporation or trust during the tax year.)

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership

Part V

Transactions With Related Organizations (Complete if the organization answered "Yes" on Form 990, Part IV, line 34, 35, 35A, or 36.)

Note. Complete line 1 if any entity is listed in Parts II, III or IV

1

During the tax year, did the organization engage in any of the following transactions with one or more related organizations listed in Parts II-IV?

a

Receipt of (i) interest (ii) annuities (iii) royalties (iv) rent from a controlled entity

b

Gift, grant, or capital contribution to related organization(s)

c

Gift, grant, or capital contribution from related organization(s)

d

Loans or loan guarantees to or for related organization(s)

e

Loans or loan guarantees by related organization(s)

f

Sale of assets to related organization(s)

g

Purchase of assets from related organization(s)

h

Exchange of assets with related organization(s)

i

Lease of facilities, equipment, or other assets to related organization(s)

j

Lease of facilities, equipment, or other assets from related organization(s)

k

Performance of services or membership or fundraising solicitations for related organization(s)

l

Performance of services or membership or fundraising solicitations by related organization(s)

m

Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)

n

Sharing of paid employees with related organization(s)

o

Reimbursement paid to related organization(s) for expenses

p

Reimbursement paid by related organization(s) for expenses

q

Other transfer of cash or property to related organization(s)

r

Other transfer of cash or property from related organization(s)

Yes

No

1a

1b

1c

1d

1e

1f

1g

1h

1i

1j

1k

1l

1m

1n

1o

1p

1q

1r

No

No

No

No

No

No

No

No

No

No

No

No

No

No

No

No

No

2 If the answer to any of the above is "Yes," see the instructions for information on who must complete this line, including covered relationships and transaction thresholds

(a) Name of other organization	(b) Transaction type(a-r)	(c) Amount involved	(d) Method of determining amount involved
(1)			
(2)			
(3)			
(4)			
(5)			
(6)			

Schedule R (Form 990) 2011

Provide the following information for each entity taxed as a partnership through which the organization conducted more than five percent of its activities (measured by total assets or gross revenue) that was not a related organization. See instructions regarding exclusion for certain investment partnerships.

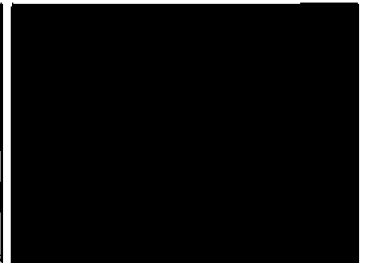
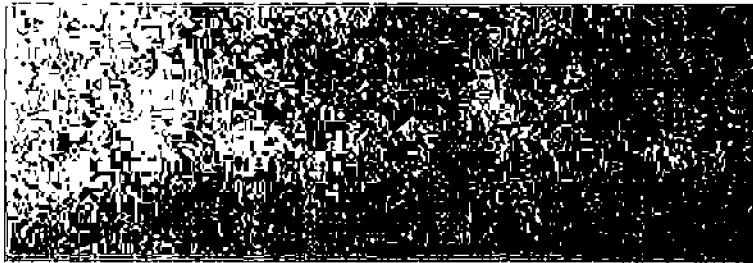
[illegible]

Part VII

Supplemental Information

Complete this part to provide additional information for responses to questions on Schedule R (see instructions)

Identifier	Return Reference	Explanation	
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**Penobscot  
Valley  
Hospital**

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## **PENOBSCOT VALLEY HOSPITAL AND SUBSIDIARY**

**CONSOLIDATED FINANCIAL STATEMENTS**

**and**

**ADDITIONAL INFORMATION**

**December 31, 2011 and 2010**

**With Independent Auditors' Report**



**PENOBSCOT VALLEY HOSPITAL AND SUBSIDIARY**

**Consolidated Financial Statements**

**December 31, 2011 and 2010**

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Penobscot Valley Hospital and Subsidiary

We have audited the consolidated balance sheets of Penobscot Valley Hospital and Subsidiary (the Hospital) as of December 31, 2011 and 2010, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Penobscot Valley Hospital and Subsidiary as of December 31, 2011 and 2010, and the consolidated results of their operations, consolidated changes in their net assets, and their consolidated cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 17, 2012, on our consideration of Penobscot Valley Hospital and Subsidiary's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements of Penobscot Valley Hospital and Subsidiary taken as a whole. The accompanying additional information included in Schedules 1 through 4 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The additional information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the additional information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Berry Dunn McNeil & Parker, LLC*

Portland, Maine  
April 17, 2012



**PENOBSCOT VALLEY HOSPITAL AND SUBSIDIARY**

**Consolidated Balance Sheets**

**December 31, 2011 and 2010**

**ASSETS**

	<u>2011</u>	<u>2010</u>
Current assets		
Cash and cash equivalents	\$ 3,237,946	\$ 2,109,852
Patient accounts receivable, net of allowance for doubtful accounts and contractual allowances of \$3,027,402 and \$2,956,240 in 2011 and 2010, respectively	2,700,779	2,521,627
Estimated third-party payor settlements	422,971	2,128,130
Current portion of assets limited as to use	67,486	66,586
Supplies, prepaid expenses and miscellaneous receivables	<u>831,321</u>	<u>699,588</u>
Total current assets	7,260,503	7,525,783
Assets limited as to use, net of current portion	1,224,062	1,162,152
Property and equipment, net	7,046,425	7,429,838
Long-term estimated third-party payor settlements	1,448,932	427,001
Other assets	29,834	14,604
Investment in affiliate	<u>13,629</u>	<u>7,898</u>
Total assets	<u>\$ 17,023,385</u>	<u>\$ 16,567,276</u>

**LIABILITIES AND NET ASSETS**

Current liabilities		
Current portion of long-term debt	\$ 304,069	\$ 287,684
Accounts payable	1,427,425	1,401,752
Accrued salaries and related benefits	1,387,326	1,274,192
Accrued expenses	24,235	25,835
Estimated third-party payor settlements	<u>3,192,404</u>	<u>3,109,549</u>
Total current liabilities	6,335,459	6,099,012
Long-term debt, net of current portion	6,080,331	6,376,378
Deferred compensation	<u>16,500</u>	<u>-</u>
Total liabilities	<u>12,432,290</u>	<u>12,475,390</u>
Commitments and contingencies (Notes 10 and 13)		
Net assets		
Unrestricted	4,361,605	3,892,932
Temporarily restricted	152,941	122,405
Permanently restricted	<u>76,549</u>	<u>76,549</u>
Total net assets	<u>4,591,095</u>	<u>4,091,886</u>
Total liabilities and net assets	<u>\$ 17,023,385</u>	<u>\$ 16,567,276</u>

The accompanying notes are an integral part of these consolidated financial statements

**PENOBSCOT VALLEY HOSPITAL AND SUBSIDIARY**

**Consolidated Statements of Operations**

**Years Ended December 31, 2011 and 2010**

	<u><b>2011</b></u>	<u><b>2010</b></u>
Unrestricted revenues, gains, and other support		
Net patient service revenue	<b>\$25,585,150</b>	\$ 24,014,053
Other revenue	<b>274,733</b>	267,452
Meaningful use revenue	<b>406,601</b>	-
Net assets released from restrictions used for operations	<u><b>6,926</b></u>	<u>7,186</u>
Total unrestricted revenues, gains, and other support	<u><b>26,273,410</b></u>	<u>24,288,691</u>
Expenses		
Salaries and benefits	<b>12,423,998</b>	12,503,750
Supplies and other	<b>10,941,015</b>	9,552,168
Depreciation and amortization	<b>1,006,269</b>	1,019,978
Interest expense	<b>339,242</b>	347,792
Provision for bad debts	<u><b>1,166,803</b></u>	<u>846,680</u>
Total expenses	<u><b>25,877,327</b></u>	<u>24,270,368</u>
Operating gain	<u><b>396,083</b></u>	<u>18,323</u>
Other gains		
Contributions	<b>75</b>	305
Investment income	<b>70,180</b>	14,920
Gain on investment in affiliate	<b>5,731</b>	3,214
Other income	<u><b>246</b></u>	<u>746</u>
Net other gains	<u><b>76,232</b></u>	<u>19,185</u>
Excess of revenues, gains, and other support over expenses and other gains	<b>472,315</b>	37,508
Change in net unrealized gains on investments	<b>(49,226)</b>	30,111
Net assets released from restrictions used for purchase of property and equipment	<u><b>45,584</b></u>	<u>8,495</u>
Increase in unrestricted net assets	<u><b>\$ 468,673</b></u>	<u>\$ 76,114</u>

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The accompanying notes are an integral part of these consolidated financial statements

**PENOBSCOT VALLEY HOSPITAL AND SUBSIDIARY**

**Consolidated Statements of Changes in Net Assets**

**Years Ended December 31, 2011 and 2010**

	<u><b>2011</b></u>	<u><b>2010</b></u>
Unrestricted net assets		
Operating gain	\$ <b>396,083</b>	\$ 18,323
Net other gains	<b>76,232</b>	19,185
Change in net unrealized gains on investments	<b>(49,226)</b>	30,111
Net assets released from restrictions used for purchase of property and equipment	<u><b>45,584</b></u>	<u>8,495</u>
Increase in unrestricted net assets	<u><b>468,673</b></u>	<u>76,114</u>
Temporarily restricted net assets		
Contributions	<b>82,619</b>	35,463
Investment income	<b>427</b>	706
Net assets released from restrictions	<u><b>(52,510)</b></u>	<u>(15,681)</u>
Increase in temporarily restricted net assets	<u><b>30,536</b></u>	<u>20,488</u>
Increase in net assets	<b>499,209</b>	96,602
Net assets, beginning of year	<u><b>4,091,886</b></u>	<u>3,995,284</u>
Net assets, end of year	<u><b>\$ 4,591,095</b></u>	<u>\$ 4,091,886</u>

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The accompanying notes are an integral part of these consolidated financial statements

# PENOBSCOT VALLEY HOSPITAL AND SUBSIDIARY

## Consolidated Statements of Cash Flows

Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities		
Change in net assets	\$ 499,209	\$ 96,602
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	1,006,269	1,019,978
Provision for bad debts	1,166,803	846,680
Loss on sale of equipment	3,318	8,312
Net realized and unrealized gains on investments	(3,259)	(29,672)
Gain on investment in affiliate	(5,731)	(3,214)
Restricted contributions and investment income	(83,046)	(36,169)
(Increase) decrease in		
Patient accounts receivable	(1,345,955)	(1,213,078)
Estimated third-party payor settlements	683,228	(1,109,455)
Supplies, prepaid expenses and miscellaneous receivables	(132,006)	43,686
Increase (decrease) in		
Accounts payable and accrued expenses	24,073	(185,204)
Accrued salaries and related benefits	113,134	126,004
Estimated third-party payor settlements	82,855	1,471,915
Net cash provided by operating activities	<u>2,008,892</u>	<u>1,036,385</u>
Cash flows from investing activities		
Purchases of property and equipment	(625,418)	(475,512)
Proceeds from sale of property and equipment	787	4,690
Proceeds from sale of investments	230,400	252,013
Purchases of investments	(289,951)	(242,670)
Net cash used by investing activities	<u>(684,182)</u>	<u>(461,479)</u>
Cash flows from financing activities		
Payments on long-term debt	(279,662)	(330,269)
Proceeds from restricted contributions and investment income	83,046	36,169
Net cash used by financing activities	<u>(196,616)</u>	<u>(294,100)</u>
Net increase in cash and cash equivalents	1,128,094	280,806
Cash and cash equivalents, beginning of year	<u>2,109,852</u>	<u>1,829,046</u>
Cash and cash equivalents, end of year	<u>\$ 3,237,946</u>	<u>\$ 2,109,852</u>
Supplemental disclosure		
Cash paid for interest	<u>\$ 329,652</u>	<u>\$ 333,925</u>

The accompanying notes are an integral part of these consolidated financial statements

# **PENOBSCOT VALLEY HOSPITAL AND SUBSIDIARY**

## **Notes to Consolidated Financial Statements**

**December 31, 2011 and 2010**

### **Nature of Operations**

Penobscot Valley Hospital is a not-for-profit organization located in Lincoln, Maine, established to provide primary, emergency, and acute care services in Northern Penobscot County. Alpine Health Services, Inc. owns and leases property within the same service area.

### **1. Financial Reporting**

#### **Principles of Consolidation**

The consolidated financial statements include the accounts of Penobscot Valley Hospital (the Hospital) and its wholly-owned, not-for-profit subsidiary, Alpine Health Services, Inc. (Alpine). All significant intercompany balances and transactions have been eliminated in consolidation.

### **2. Summary of Significant Accounting Policies**

#### **Use of Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### **Cash and Cash Equivalents**

Cash and cash equivalents include certain investments in highly liquid debt instruments with original maturities of three months or less.

#### **Patient Accounts Receivable**

Patient accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to patient accounts receivable.

#### **Supplies**

Supplies are carried at the lower of cost (determined by the first-in, first-out method) or market.

# **PENOBSCOT VALLEY HOSPITAL AND SUBSIDIARY**

## **Notes to Consolidated Financial Statements**

**December 31, 2011 and 2010**

### **Assets Limited as to Use**

Assets limited as to use primarily consist of assets held by trustees under indenture agreements, assets restricted by donors, and designated assets set aside by the Board of Directors for future capital improvements, over which the Board retains control and which it may, at its discretion, subsequently use for other purposes. Amounts required to meet current liabilities of the Hospital have been classified as current assets in the consolidated balance sheets.

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the balance sheets. Assets limited as to use are periodically reviewed for impairment to determine if such declines are other than temporary. Any such impairment is included in the excess of revenues, gains, and other support over expenses and other gains.

### **Property and Equipment**

Property and equipment acquisitions are recorded at cost or, if contributed, at fair value determined at the date of donation. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the asset's useful life. Such amortization is included in depreciation and amortization in the financial statements. Interest costs incurred on borrowed funds during the period of construction of capital assets are capitalized as a component of the cost of acquiring those assets.

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support, and are excluded from the excess of revenues, gains, and other support over expenses and other gains, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

### **Temporarily and Permanently Restricted Net Assets**

Temporarily restricted net assets are those whose use by the Hospital have been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Hospital in perpetuity.

# PENOBSCOT VALLEY HOSPITAL AND SUBSIDIARY

## Notes to Consolidated Financial Statements

December 31, 2011 and 2010

### Net Patient Service Revenue

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

### Charity Care

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. The Hospital maintains records to identify the amount of charges foregone for services and supplies furnished under its charity care policy, as well as the estimated cost of those services and supplies and equivalent service statistics. The following information measures the level of charity care provided during the year ended December 31:

	<u>2011</u>	<u>2010</u>
Charges foregone, based on established rates	\$ <u>1,360,647</u>	\$ <u>1,028,591</u>
Estimated costs and expenses incurred to provide charity care	\$ <u>946,000</u>	\$ <u>727,000</u>
Equivalent percentage of charity care charges to all Hospital patient charges	<u>3.84%</u>	<u>3.11%</u>

Cost of providing charity care services has been estimated based on an overall financial statement ratio of costs to charges applied to charity charges forgone.

### Excess of Revenues, Gains, and Other Support Over Expenses and Other Gains

The consolidated statements of operations include excess of revenues, gains, and other support over expenses and other gains. Changes in unrestricted net assets which are excluded from this measure, consistent with industry practice, include unrealized gains and losses on investments, and net assets released from restrictions for purchase of property and equipment

# PENOBSCOT VALLEY HOSPITAL AND SUBSIDIARY

## Notes to Consolidated Financial Statements

December 31, 2011 and 2010

### Donor-Restricted Gifts

Unconditional promises to give cash and other assets to the Hospital are reported at fair value at the date the promise is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statements of operations as net assets released from restrictions.

### Functional Expenses

The Hospital provides general health care services to residents within its geographic location. Expenses related to providing these services were as follows

	<u>2011</u>	<u>2010</u>
Health care services	\$22,218,614	\$20,513,648
Rental services	37,299	39,074
General and administrative	<u>3,621,414</u>	<u>3,717,646</u>
	<u>\$25,877,327</u>	<u>\$24,270,368</u>

### Income Taxes

The Hospital and its Subsidiary are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code, and are exempt from federal income taxes on related income.

### Defined Contribution Plan

The Hospital offers a discretionary 403(b) retirement plan to all of its employees. The Hospital matches participant contributions and all employees participating in the plan are eligible for the match. Prior to 2010, employees were matched based on a tiered system. In 2010, the Hospital changed the match criteria and now matches 50% of the employee's deferrals up to 3% of compensation. During 2011 and 2010, the Hospital expensed \$62,614 and \$60,283, respectively, related to the Plan.

### New Accounting Pronouncement

In August 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2010-23, "Health Care Entities (Topic 954): Measuring Charity Care for Disclosure" (ASU 2010-23), which requires that cost be used as a measurement for charity care disclosure purposes and that cost be identified as the direct and indirect cost of providing the charity care. It also requires disclosure of the method used to identify or determine such costs. The Hospital adopted ASU 2010-23 effective for the year ended December 31, 2011. Since ASU 2010-23 amends disclosure requirements only, its adoption did not impact the Hospital's consolidated balance sheets, statements of operations, or statements of cash flow.



# PENOBSCOT VALLEY HOSPITAL AND SUBSIDIARY

## Notes to Consolidated Financial Statements

December 31, 2011 and 2010

### **Subsequent Events**

For purposes of the preparation of these financial statements in conformity with U.S. generally accepted accounting principles, the Hospital has considered transactions or events occurring through April 17, 2012, which was the date that the financial statements were available to be issued.

### **3. Net Patient Service Revenue**

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

#### **Medicare**

The Hospital is a Critical Access Hospital and is reimbursed based on allowable costs for its inpatient and outpatient services provided to Medicare patients. The Hospital is reimbursed at tentative interim rates with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary.

The Hospital's Medicare cost reports have been audited by the Medicare fiscal intermediary through December 31, 2005.

#### **MaineCare**

As a Critical Access Hospital, the Hospital is also reimbursed based on allowable costs for inpatient and outpatient services rendered to MaineCare patients. The Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the fiscal intermediary. The Hospital's MaineCare cost reports have been audited by the MaineCare fiscal intermediary through December 31, 2005.

The Hospital has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment under these agreements includes prospectively determined rates per discharge, discounted charges and per diem payments. These agreements do not constitute a significant part of the Hospital's net patient service revenue.

Revenue from the Medicare and MaineCare programs accounted for approximately 48% and 21%, respectively, of the Hospital's patient revenue for the year ended December 31, 2011, and 44% and 23%, respectively, of the Hospital's patient revenue for the year ended December 31, 2010. Laws and regulations governing the Medicare and MaineCare programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Net patient service revenue increased by approximately \$267,000 in 2011 and decreased by approximately \$849,000 in 2010 due to adjustment of allowances or recognition of settlements no longer subject to audits, reviews, and investigations

**PENOBSCOT VALLEY HOSPITAL AND SUBSIDIARY**

**Notes to Consolidated Financial Statements**

**December 31, 2011 and 2010**

**4. Assets Limited as to Use and Restricted Funds**

Assets limited as to use and restricted funds consist of the following:

	<u><b>2011</b></u>	<u><b>2010</b></u>
Under Board designation.		
Cash and short-term investments	\$ <b>260,625</b>	\$ 266,755
Marketable equity securities	<b>341,537</b>	324,312
Mutual funds	<b>139,311</b>	147,042
Bonds and fixed income securities	<u><b>75,817</b></u>	<u>79,071</u>
	<b>817,290</b>	817,180
Under loan agreement:		
Cash and cash equivalents	<b>177,282</b>	146,018
Held by trustee under debt agreement		
Cash and short-term investments	<b>67,486</b>	66,586
Donor restricted:		
Cash and short-term investments	<u><b>229,490</b></u>	<u>198,954</u>
	<b>1,291,548</b>	1,228,738
Less current portion	<u><b>67,486</b></u>	<u>66,586</u>
Assets limited as to use, net of current portion	<u><b>\$ 1,224,062</b></u>	<u><b>\$ 1,162,152</b></u>

Investment income and gains (losses) for assets limited as to use are comprised of the following:

	<u><b>2011</b></u>	<u><b>2010</b></u>
Interest and dividend income	\$ <b>17,695</b>	\$ 15,359
Realized gains (losses) on sales of investments	<u><b>52,485</b></u>	<u>(439)</u>
Investment income	<b>70,180</b>	14,920
Unrealized (losses) gains on investments	<u><b>(49,226)</b></u>	<u>30,111</u>
Total investment return	<u><b>\$ 20,954</b></u>	<u><b>\$ 45,031</b></u>

**PENOBSCOT VALLEY HOSPITAL AND SUBSIDIARY**

**Notes to Consolidated Financial Statements**

**December 31, 2011 and 2010**

**5. Property and Equipment**

A summary of property and equipment follows

	<u>2011</u>	<u>2010</u>
Land and land improvements	\$ 364,610	\$ 364,610
Buildings and fixed equipment	12,078,964	11,873,127
Major moveable equipment	4,517,722	4,357,772
Vehicles	<u>261,372</u>	<u>234,874</u>
	17,222,668	16,830,383
Less accumulated depreciation and amortization	<u>(10,176,243)</u>	<u>(9,400,545)</u>
Net property and equipment	<u>\$ 7,046,425</u>	<u>\$ 7,429,838</u>

**6. Line of Credit**

The Hospital has a \$1,500,000 line of credit with a bank with an interest rate of 3% above one-month LIBOR, never to fall below 4%, through July 31, 2012. Collateral for the line is a security interest in all assets. The interest rate at December 31, 2011 was 4%. There was no outstanding balance as of December 31, 2011 and 2010.

**7. Long-Term Debt**

A summary of long-term debt follows

	<u>2011</u>	<u>2010</u>
Three 4 125% mortgage notes payable to the U.S. Department of Agriculture, Rural Development, due in monthly installments of \$23,345, including interest, through April 2032; collateralized by substantially all assets of the Hospital	\$ 3,843,356	\$ 3,954,704
Maine Health and Higher Educational Facilities Authority Revenue Bonds, Series 2002 (average coupon rate 4.66%) requiring annual debt service payments ranging from \$138,000 to \$142,000 through July 2022, net of original issue discount of \$2,830 and \$3,104 in 2011 and 2010, respectively; collateralized by a security interest in the Hospital's gross receipts, equipment and a mortgage lien on its facility.	1,024,908	1,104,634

# PENOBSCOT VALLEY HOSPITAL AND SUBSIDIARY

## Notes to Consolidated Financial Statements

December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
5.25% mortgage note payable to the U.S. Department of Agriculture, Rural Development, due in monthly installments of \$2,638, including interest, through March 2025; collateralized by property in West Enfield, Maine, owned by Alpine. The mortgage has been guaranteed by the Hospital.	299,417	314,541
7.6% mortgage note payable in monthly installments of \$3,615, including interest, through December 2013, with a final balloon payment of \$202,943; collateralized by property in Lincoln, Maine.	252,803	275,726
Capital lease obligation payable in equal monthly installments of \$10,104, including interest at prime plus 2.00% (5 25% at December 31, 2011), through December 2021; collateralized by leased equipment	<u>963,916</u>	<u>1,014,457</u>
	6,384,400	6,664,062
Less current portion	<u>304,069</u>	<u>287,684</u>
Long-term debt, excluding current portion	<u>\$ 6,080,331</u>	<u>\$ 6,376,378</u>

The indenture related to the revenue bonds contains certain provisions regarding debt service coverage ratios, limitations on additional indebtedness, liens on property and equipment, and restrictions on encumbering revenues.

Scheduled principal repayments on long-term debt and capital leases are as follows:

<u>Year ending December 31,</u>	<u>Long-Term Debt</u>	<u>Capital Lease Obligations</u>
2012 (included in current liabilities)	\$ 249,804	\$ 121,247
2013	262,867	121,247
2014	271,355	121,247
2015	285,293	121,247
2016	299,737	121,247
Thereafter	<u>4,051,428</u>	<u>767,875</u>
	<u>\$ 5,420,484</u>	1,374,110
Less amount representing interest under capital lease obligations		<u>(410,194)</u>
		<u>\$ 963,916</u>

**PENOBSCOT VALLEY HOSPITAL AND SUBSIDIARY**

**Notes to Consolidated Financial Statements**

**December 31, 2011 and 2010**

**8. Temporarily and Permanently Restricted Net Assets**

Temporarily restricted net assets are available for the following purposes:

	<u>2011</u>	<u>2010</u>
Health care services		
Purchase of equipment	\$ 138,574	\$ 108,466
Meeting the Challenge	5,489	5,476
Income on certificate of deposit - indigent care	<u>8,878</u>	<u>8,463</u>
	<u>\$ 152,941</u>	<u>\$ 122,405</u>

Permanently restricted net assets are restricted to:

Certificate of deposit to be held in perpetuity, the income from which is expendable for indigent care	<u>\$ 76,549</u>	<u>\$ 76,549</u>
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**9. Concentrations of Credit Risk**

The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors was as follows:

	<u>2011</u>	<u>2010</u>
Medicare	25 %	26 %
Medicaid	27	28
Anthem-Blue Cross	7	6
Other third-party payors	15	14
Patients	<u>26</u>	<u>26</u>
	<u>100 %</u>	<u>100 %</u>

The Hospital maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Hospital has not experienced any losses in such accounts. Management believes it is not exposed to any significant risk on cash and cash equivalents.

**10. Commitments and Contingencies**

**Commitments**

The Hospital has an agreement with Emcare Physician Services, Inc (the Company) to provide management and administrative services to the Hospital's emergency department. The Hospital has agreed to pay the Company a specified hourly rate for Hospital physician coverage. The contract automatically renews for one-year terms, but may be terminated by either party by providing written notice of termination 120 days prior to renewal.

# **PENOBSCOT VALLEY HOSPITAL AND SUBSIDIARY**

## **Notes to Consolidated Financial Statements**

**December 31, 2011 and 2010**

Alpine leases office space to a local healthcare provider for \$31,296 per year under the terms of a seven-year lease which commenced on January 1, 2003. The lease renews automatically for a three-year term, and has been extended until December 31, 2012.

In February 2012, the Hospital entered into an agreement to lease approximately \$500,000 of digital mammography and other radiology equipment for a term of five years. The Hospital will have the option to purchase the equipment at its fair market value upon expiration of the lease

### **Medical Malpractice Claims**

The Hospital insures its medical malpractice risks on a claims-made basis under a policy which covers all employees of the Hospital. A claims-made policy provides specified coverage for claims reported during the policy term. The policy contains a provision which allows the Hospital to purchase "tail" coverage for an indefinite period of time to avoid any lapse in insurance coverage. As of December 31, 2011, there were no known malpractice claims outstanding which, in the opinion of management, will be settled for amounts in excess of insurance coverage, nor are there any unasserted claims or incidents which require loss accrual. The Hospital intends to renew coverage on a claims-made basis and anticipates that such coverage will be available.

The possibility exists, as a normal risk of doing business, that malpractice claims in excess of insurance coverage may be asserted against the Hospital. In the event a loss contingency should occur, the Hospital would give it appropriate recognition in its consolidated financial statements in conformity with applicable accounting principles.

### **11. Deferred Compensation**

The Hospital has established a deferred compensation plan that permits management and highly compensated employees to defer portions of their compensation based on Internal Revenue Service guidelines. The Hospital has recorded \$16,500 at December 31, 2011, to reflect its liability under this plan. The Hospital has recorded a corresponding asset of \$16,500 at December 31, 2011, and is included in other assets in the consolidated balance sheets. Under the plan, all gains and losses in the plan investments increase or decrease the deferred compensation liability and corresponding asset.

### **12. Meaningful Use Revenue**

The Medicare and Medicaid electronic health record (EHR) incentive programs provide a financial incentive for achieving "meaningful use" of certified EHR technology. The Medicare criteria for meaningful use will be staged in three steps. The meaningful use attestation is subject to audit by CMS in future years. As part of this process, a final settlement amount for the incentive payments could be established that differs from the initial calculation, and could result in return of a portion or all of the incentive payments received by the Hospital.

# PENOBSCOT VALLEY HOSPITAL AND SUBSIDIARY

## Notes to Consolidated Financial Statements

December 31, 2011 and 2010

The Medicaid program will provide incentive payments to hospitals and eligible professionals as they adopt, and implement, upgrade or demonstrate meaningful use in the first year of participation and demonstrate meaningful use for up to five remaining participation years. There will be no payment adjustments under the Medicaid EHR incentive program.

During 2011, the Hospital recorded meaningful use revenue of \$406,601 from the Medicaid EHR program. The Hospital has demonstrated a minimum of 10% Medicaid encounters and is upgrading to a certified EHR.

### 13. Operating Leases

The Hospital leases various office, housing space, and medical equipment under operating leases. Lease expense for the years ended December 31, 2011 and 2010 was \$330,358 and \$378,729, respectively.

The following is a schedule of future minimum rental payments under the above noncancelable operating leases as of December 31, 2011:

2012	\$ 150,624
2013	61,506
2014	56,967
2015	53,934
2016	42,560
Thereafter	<u>42,172</u>
	<u>\$ 407,763</u>

### 14. Investment in Affiliate

The Hospital is a member of a shared services nonprofit corporation, Katahdin Shared Services, Inc. (KSS), which provides ultrasound, occupational therapy, and nutritional services to Penobscot Valley Hospital and another member hospital. KSS's earnings or loss has been allocated to its members based proportionately on charges rendered to each member. The earnings from the affiliate for the years ended December 31, 2011 and 2010 of \$5,731 and \$3,214, respectively, is reflected in other gains in the consolidated statements of operations.

The cost of services purchased by the Hospital from KSS was \$299,167 and \$265,509 for 2011 and 2010, respectively, and is included in supplies and other expenses in the consolidated statements of operations. The 2011 and 2010 accounts payable in the consolidated balance sheets include \$73,031 and \$65,288, respectively, due to KSS.

### 15. Fair Value Measurement

FASB ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. FASB

# PENOBSCOT VALLEY HOSPITAL AND SUBSIDIARY

## Notes to Consolidated Financial Statements

December 31, 2011 and 2010

ASC 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value.

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date

Level 2: Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data

Level 3: Significant unobservable inputs that reflect an entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability

Items measured at fair value on a recurring basis in these financial statements are as follows

Fair Value Measurements at December 31, 2011, Using				
	Total	Quoted Prices In Active Markets for Identical assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Cash and cash equivalents	\$ 260,625	\$ 260,625	\$ -	\$ -
Marketable equity securities	341,537	341,537	-	-
Mutual funds	139,311	139,311	-	-
Corporate bonds	64,072	-	64,072	-
Other fixed income	11,745	11,745	-	-
Investments to fund deferred compensation	16,500	16,500	-	-
	<u>\$ 833,790</u>	<u>\$ 769,718</u>	<u>\$ 64,072</u>	<u>\$ -</u>

Fair Value Measurements at December 31, 2010, Using				
	Total	Quoted Prices In Active Markets for Identical assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Cash and cash equivalents	\$ 266,755	\$ 266,755	\$ -	\$ -
Marketable equity securities	324,312	324,312	-	-
Mutual funds	147,042	147,042	-	-
Corporate bonds	58,746	-	58,746	-
Other fixed income	20,325	20,325	-	-
	<u>\$ 817,180</u>	<u>\$ 758,434</u>	<u>\$ 58,746</u>	<u>\$ -</u>

Level 2 investments have been measured using quoted market prices of similar assets



## **ADDITIONAL INFORMATION**

# PENOBSCOT VALLEY HOSPITAL AND SUBSIDIARY

## Consolidating Balance Sheet

**December 31, 2011**  
**(With Comparative Totals for December 31, 2010)**

### ASSETS

	Penobscot Valley Hospital	Alpine Health Services, Inc.	Elimina- tions	<b>2011 Consolidated</b>	2010 Consolidated
Current assets					
Cash and cash equivalents	\$ 3,237,895	\$ 51	\$ -	\$ 3,237,946	\$ 2,109,852
Patient accounts receivable, net	2,683,062	17,717	-	2,700,779	2,521,627
Estimated third-party payor settlements	422,971	-	-	422,971	2,128,130
Current portion of assets limited as to use	67,486	-	-	67,486	66,586
Supplies, prepaid expenses and miscellaneous receivables	<u>831,321</u>	<u>-</u>	<u>-</u>	<u>831,321</u>	<u>699,588</u>
Total current assets	7,242,735	17,768	-	7,260,503	7,525,783
Assets limited as to use, net of current portion	1,177,720	46,342	-	1,224,062	1,162,152
Property and equipment, net	6,818,159	228,266	-	7,046,425	7,429,838
Long-term estimated third-party payor settlements	1,448,932	-	-	1,448,932	427,001
Other assets	29,834	-	-	29,834	14,604
Investment in affiliates	<u>6,588</u>	<u>-</u>	<u>7,041</u>	<u>13,629</u>	<u>7,898</u>
Total assets	<u>\$ 16,723,968</u>	<u>\$ 292,376</u>	<u>\$ 7,041</u>	<u>\$ 17,023,385</u>	<u>\$ 16,567,276</u>

## LIABILITIES AND NET ASSETS (DEFICIT)

	Penobscot Valley Hospital	Alpine Health Services, Inc.	Elimina- tions	2011 <u>Consolidated</u>	2010 <u>Consolidated</u>
Current liabilities					
Current portion of long-term debt	\$ 287,899	\$ 16,170	\$ -	\$ 304,069	\$ 287,684
Accounts payable	1,427,425	-	-	1,427,425	1,401,752
Accrued salaries and related benefits	1,387,326	-	-	1,387,326	1,274,192
Accrued expenses	24,235	-	-	24,235	25,835
Estimated third-party payor settlements	<u>3,192,404</u>	<u>-</u>	<u>-</u>	<u>3,192,404</u>	<u>3,109,549</u>
Total current liabilities	6,319,289	16,170	-	6,335,459	6,099,012
Long-term debt, net of current portion	5,797,084	283,247	-	6,080,331	6,376,378
Deferred compensation	<u>16,500</u>	<u>-</u>	<u>-</u>	<u>16,500</u>	<u>-</u>
Total liabilities	<u>12,132,873</u>	<u>299,417</u>	<u>-</u>	<u>12,432,290</u>	<u>12,475,390</u>
Net assets (deficit)					
Unrestricted	4,361,605	(7,041)	7,041	4,361,605	3,892,932
Temporarily restricted	152,941	-	-	152,941	122,405
Permanently restricted	<u>76,549</u>	<u>-</u>	<u>-</u>	<u>76,549</u>	<u>76,549</u>
Total net assets (deficit)	<u>4,591,095</u>	<u>(7,041)</u>	<u>7,041</u>	<u>4,591,095</u>	<u>4,091,886</u>
Total liabilities and net assets (deficit)	<u>\$ 16,723,968</u>	<u>\$ 292,376</u>	<u>\$ 7,041</u>	<u>\$ 17,023,385</u>	<u>\$ 16,567,276</u>

## PENOBSCOT VALLEY HOSPITAL AND SUBSIDIARY

## Consolidating Statement of Operations

Year Ended December 31, 2011

(With Comparative Totals for the Year Ended December 31, 2010)

	Penobscot Valley Hospital	Alpine Health Services, Inc	Elimina- tions	2011 Consolidated	2010 Consolidated
Gross patient service revenue	\$ 35,479,280	\$ -	\$ -	\$ 35,479,280	\$ 33,096,214
Deductions from revenue					
Contractual adjustments	8,533,483	-	-	8,533,483	8,053,570
Charity care	1,360,647	-	-	1,360,647	1,028,591
	<u>9,894,130</u>	<u>-</u>	<u>-</u>	<u>9,894,130</u>	<u>9,082,161</u>
Net patient service revenue	25,585,150	-	-	25,585,150	24,014,053
Other revenue	239,203	35,530	-	274,733	267,452
Meaningful use revenue	406,601	-	-	406,601	-
Net assets released from restrictions used for operations	<u>6,926</u>	<u>-</u>	<u>-</u>	<u>6,926</u>	<u>7,186</u>
Total unrestricted revenues, gains and other support	<u>26,237,880</u>	<u>35,530</u>	<u>-</u>	<u>26,273,410</u>	<u>24,288,691</u>
Expenses					
Salaries and benefits	12,423,998	-	-	12,423,998	12,503,750
Supplies and other	10,931,361	9,654	-	10,941,015	9,552,168
Depreciation and amortization	995,155	11,114	-	1,006,269	1,019,978
Interest expense	322,711	16,531	-	339,242	347,792
Provision for bad debts	<u>1,166,803</u>	<u>-</u>	<u>-</u>	<u>1,166,803</u>	<u>846,680</u>
Total expenses	<u>25,840,028</u>	<u>37,299</u>	<u>-</u>	<u>25,877,327</u>	<u>24,270,368</u>
Operating gain (loss)	<u>397,852</u>	<u>(1,769)</u>	<u>-</u>	<u>396,083</u>	<u>18,323</u>
Other gains					
Contributions	75	-	-	75	305
Investment income	70,180	-	-	70,180	14,920
Gain on investment in affiliate	5,731	-	-	5,731	3,214
Earnings of subsidiary	12,681	-	(12,681)	-	-
Other income	<u>25</u>	<u>221</u>	<u>-</u>	<u>246</u>	<u>746</u>
Net other gains	<u>88,692</u>	<u>221</u>	<u>(12,681)</u>	<u>76,232</u>	<u>19,185</u>
Excess (deficiency) of revenues, gains and other support over expenses and losses	486,544	(1,548)	(12,681)	472,315	37,508
Change in net unrealized gains and losses on investments	(49,226)	-	-	(49,226)	30,111
Net assets released from restrictions used for purchase of property and equipment	<u>45,584</u>	<u>-</u>	<u>-</u>	<u>45,584</u>	<u>8,495</u>
Transfer (to) from affiliate	<u>(14,229)</u>	<u>14,229</u>	<u>-</u>	<u>-</u>	<u>-</u>
Increase in unrestricted net assets	\$ <u>468,673</u>	\$ <u>12,681</u>	\$ <u>(12,681)</u>	\$ <u>468,673</u>	\$ <u>76,114</u>

## PENOBSCOT VALLEY HOSPITAL AND SUBSIDIARY

Schedule of Net Patient Service Revenue  
(Hospital Only)

Year Ended December 31, 2011  
(With Comparative Totals for the Year Ended December 31, 2010)

	<u>Inpatient</u>	<u>Outpatient</u>	<u>2011 Total</u>	<u>2010 Total</u>
Adults and pediatrics	\$ 3,315,888	\$ -	\$ 3,315,888	\$ 2,833,174
Intensive care unit	353,120	-	353,120	232,600
Nursery	47,883	-	47,883	55,579
Operating room	996,557	1,944,747	2,941,304	3,045,716
Recovery room	51,893	60,541	112,434	98,419
Delivery and labor room	86,331	3,926	90,257	112,379
Anesthesiology	135,637	324,633	460,270	466,183
Radiology - diagnostic	1,177,886	7,145,316	8,323,202	7,727,466
Laboratory	1,046,144	3,945,264	4,991,408	4,759,993
Blood storing and processing	76,334	58,961	135,295	107,975
Respiratory therapy	470,645	800,886	1,271,531	951,913
Physical therapy	415,485	1,220,782	1,636,267	1,366,537
Medical supplies charged to patients	300,288	395,167	695,455	721,330
Drugs charged to patients	1,262,300	990,998	2,253,298	2,155,118
Clinic	180,131	913,269	1,093,400	1,272,050
Emergency	697,461	5,763,140	6,460,601	6,112,496
Ambulance services	98,880	1,196,635	1,295,515	1,070,169
Dietary	-	2,152	2,152	7,117
Total gross patient revenue	\$ <u>10,712,863</u>	\$ <u>24,766,417</u>	<u>35,479,280</u>	<u>33,096,214</u>
Contractual allowances			8,533,483	8,053,570
Charity care			<u>1,360,647</u>	<u>1,028,591</u>
			<u>9,894,130</u>	<u>9,082,161</u>
Net patient service revenue			<u>\$ 25,585,150</u>	<u>\$ 24,014,053</u>

## **SUPPLEMENTAL INFORMATION**

### **Governmental Report**

## PENOBSCOT VALLEY HOSPITAL AND SUBSIDIARY

Schedule of Operating Expenses  
(Hospital Only)

Year Ended December 31, 2011  
(With Comparative Totals for the Year Ended December 31, 2010)

	<u>Salaries</u>	<u>Non-salary</u>	<u>2011 Total</u>	<u>2010 Total</u>
Employee benefits	\$ 114,830	\$ 2,691,460	\$ 2,806,290	\$ 2,751,798
Administrative and general	1,045,197	2,287,176	3,332,373	3,435,137
Operation of plant	304,889	592,864	897,753	858,696
Laundry and linen	22,794	12,884	35,678	25,330
Housekeeping	177,221	71,685	248,906	220,854
Dietary	175,002	357,474	532,476	489,224
Nursing administration	535,447	132,818	668,265	638,340
Central services and supply	-	3,056	3,056	2,036
Medical records	193,522	43,016	236,538	225,775
Social services	139,526	29,111	168,637	166,710
Adults and pediatrics	2,205,260	250,263	2,455,523	2,284,580
Intensive care unit	60,162	39,525	99,687	72,375
Nursery	-	24,973	24,973	22,474
Operating room	459,470	155,536	615,006	689,313
Delivery and labor room	3,573	5,089	8,662	8,027
Anesthesiology	-	612,781	612,781	493,611
Radiology	418,718	1,307,811	1,726,529	1,652,444
Laboratory	609,052	695,777	1,304,829	1,185,980
Cardio-pulmonary therapy	168,835	47,660	216,495	172,342
Physical therapy	391,180	174,911	566,091	465,879
Speech pathology	-	-	-	450
Medical supplies charged to patients	99,677	342,153	441,830	402,834
Drugs charged to patients	61,467	1,095,928	1,157,395	1,050,719
Clinic	749,184	597,772	1,346,956	1,115,989
Emergency	1,668,104	2,011,961	3,680,065	3,445,446
Ambulance services	129,428	39,137	168,565	168,097
	<u>\$ 9,732,538</u>	<u>\$ 13,622,821</u>	<u>23,355,359</u>	<u>22,044,460</u>
Depreciation and amortization			995,155	1,008,864
Interest expense			322,711	331,290
Provision for bad debts			<u>1,166,803</u>	<u>846,680</u>
Total operating expenses			<u>\$ 25,840,028</u>	<u>\$ 24,231,294</u>

**INDEPENDENT AUDITORS' REPORT  
ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED  
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Board of Directors  
Penobscot Valley Hospital and Subsidiary

We have audited the consolidated financial statements of Penobscot Valley Hospital and Subsidiary as of and for the year ended December 31, 2011, and have issued our report thereon dated April 17, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Penobscot Valley Hospital and Subsidiary's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Penobscot Valley Hospital and Subsidiary's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Penobscot Valley Hospital and Subsidiary's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control described in the accompanying schedule of findings and responses as Item 2011-1 to be a significant deficiency.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as described above.



**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Penobscot Valley Hospital and Subsidiary's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of Penobscot Valley Hospital and Subsidiary in a separate letter dated April 17, 2012.

Management's response to the deficiency identified in our audit has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Directors, finance committee, management, and federal awarding agencies, and is not intended to be, and should not be, used by anyone other than these specified parties.

*Berry Dunn McNeil & Parker, LLC*

Portland, Maine  
April 17, 2012

# **PENOBSCOT VALLEY HOSPITAL AND SUBSIDIARY**

## **Schedule of Findings and Responses**

**Year Ended December 31, 2011**

### **Finding 2011-1**

#### Criteria

Management is responsible for developing and maintaining internal control to insure financial statements are in accordance with Generally Accepted Accounting Principles (GAAP) in all material respects.

#### Condition and Context

Due to the implementation of a new Electronic Health Record (EHR), Emergency Department procedure charges were not recorded and billed for a period of approximately four months.

#### Cause and Effect

The Hospital did not properly test and reconcile the revenue cycle process during and after the implementation stage of the new EHR system to ensure that it was functioning as designed.

#### Recommendation

We recommend formal procedures be established to ensure that process changes are tested and reconciliations are performed and documented in a timely manner during the implementation stage. This will ensure that all information is being properly captured and recorded by the new process as it is intended to be and will eliminate any possible confusion with regard to how the system should be or is actually performing.

#### Management Response and Corrective Action Plan

In the future, when the Hospital implements a new electronic module or modifies an existing process, daily reconciliations of department records/logs of services provided to those generated automatically by the new or modified system will be performed. Any discrepancies will be investigated and resolved in a timely manner. This process will continue until such time that the Hospital is comfortable the new or modified system is functioning as designed.

